THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Solar Energy Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

CHINA SOLAR ENERGY HOLDINGS LIMITED

華基光電能源控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 155)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

Independent financial adviser to the independent board committee and the independent shareholders of the Company

AsiaVest Partners

AsiaVest Partners Limited

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders regarding the Relevant Agreements is set out on page 6 of this circular. A letter from AsiaVest Partners Limited containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Relevant Agreements is set out on pages 17 to 32 of the circular.

A notice convening a special general meeting ("SGM") of China Solar Energy Holdings Limited (the "Company") to be held at Room A, 1/F, Harbour View International House, 4 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on Tuesday, 18 March 2008 is set out on pages 131 to 132 of this circular. A form of proxy is also enclosed. Whether or not you intend to attend the said meeting, you are requested to complete the proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the holding of the SGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meeting(s) should you so wish.

29 February 2008

* *For identification purpose only*

CONTENTS

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"a-Si"	amorphous silicon
"AsiaVest"	AsiaVest Partners Limited, a corporation licensed to carry to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Relevant Agreements
"Asset Purchase Agreement"	a conditional asset purchase agreement dated 27 April 2007 entered into between TSG and TSNA together as seller and Solar Co. as buyer in relation to the purchase of the production facility located at the Premises and varied by a supplemental agreement entered into by the parties on 11 October 2007
"Assignment of Lease"	an assignment and assumption of the Lease dated 27 April 2007 entered into between TSNA as assignor and Solar Co. as assignee in relation to the assignment of all the rights and obligations of the assignor under the Lease to the assignee
"associate(s)"	has the meanings as ascribed to it under the Listing Rules
"Blue Star"	Weihai Blue Star Glass Group Co., Ltd, a company incorporated in the PRC, a third party independent of the Company and its connected persons
"Blue Star Project"	the project of establishing business of manufacturing and marketing of CIGS solar module and a-Si solar module in the PRC by TerraSolar, Inc. as supplier of equipment and provider of technical services to BSTP as contemplated under various agreements entered into by TerraSolar, Inc. and Blue Star and the ownership of the said project was first transferred by TerraSolar, Inc. to TSG in April 2005 then later in April 2007 to RESI except the 10% equity interest in BSTP (together with related rights and obligations)
"Board"	the board of Directors

"BSTP"	a joint venture company under the name of Weihai Blue Star Terra Photovoltaic Co., Ltd. pursuant to a joint venture contract dated 10 January 2005 among Blue Star, TerraSolar Inc., and Cameste Resources Limited
"Bye-laws"	the bye-laws of the Company
"Cameste Resources Limited"	a company incorporated in the British Virgin Islands and one of the joint venture partners in the formation of BSTP
"CIGS"	copper indium gallium diselenide
"Company"	China Solar Energy Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meanings as ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company (including independent non-executive director(s))
"Dr. Kiss"	Dr. Zoltan J Kiss who is the former Chairman and non-executive Director of the Company
"Independent Board Committee"	An independent board committee of the Board comprising all the three Independent Non-executive Directors of the Company
"Independent Shareholders"	Shareholders other than Dr. Kiss and his associates
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	26 February 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

"Lease"	the lease on the Premises granted by the landlord of the Premises to TSNA for a period of ten years from 1 March 2006
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code of Securities Transactions by Directors of Listed Companies contained in the Listing Rules
"Mrs. Kiss"	the wife of Dr. Kiss
"Norton Appraisals"	Norton Appraisals Limited, an independent third party valuer, members of The Hong Kong Institute of Surveyors and The Hong Kong Business Valuation Forum
"PRC"	the People's Republic of China
"Premises"	the commercial premises located at 200 Ludlow Drive, Ewing, New Jersey, USA
"Relevant Agreements"	collectively comprises Asset Purchase Agreement, Assignment of Lease, Settlement Agreement and all such related agreements
"Remaining Group"	the Group immediately after the completion of the Relevant Agreements
"RESI"	Renewable Energy Solution, Inc., a company incorporated in the USA and wholly owned by Dr. Kiss
"RMB"	Renminbi, the lawful currency of the PRC
"Settlement Agreement"	an agreement dated 27 April 2007 entered into among TSG, RESI and Dr. Kiss in relation to, among others, transfer of TSG's rights and obligations in the Blue Star Project
"SFO"	Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Relevant Agreements and the transactions contemplated therein, including any adjournment thereof

"Share(s)"	ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Solar Co."	Solar Co. NJ, a company incorporated in the USA and owned as to approximately 80% by Mrs. Kiss and approximately 20% by third parties independent of the Company and its connected persons
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TerraSolar, Inc."	TerraSolar, Inc., a company incorporated in the USA of which Dr. Kiss is one of the directors and the major shareholder
"TSG"	Terra Solar Global, Inc., a company incorporated in the USA and a non-wholly owned subsidiary of the Group
"TSG Group"	TSG and its subsidiaries (including TSNA)
"TSNA"	Terra Solar North America, Inc., a company incorporated in the USA and a non-wholly owned subsidiary of the Group
"USA"	The United States of America
"US$"	United States dollars, lawful currency of the United States of America
"%"	per cent

In this circular, unless otherwise stated, figures in United States dollars are translated into Hong Kong dollars at the approximate exchange rate of US$1.00 to HK$7.75, for the purpose of illustration only, and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

CHINA SOLAR ENERGY HOLDINGS LIMITED
華基光電能源控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 155)

Executive Directors:
Pierre Seligman *(Managing Director)*
Chu Chik Ming Jack
Chan Wai Kwong Peter
On Kien Quoc

Non-executive Director:
Henry J. Behnke III

Independent Non-Executive Directors:
Chow Siu Ngor
Yin Tat Man
Tam Kam Biu William

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
21/F.,
3 Lockhart Road
Wanchai
Hong Kong

29 February 2008

To the Shareholders and, for information only, the Warrantholders

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

The Company announced on 6 November 2007 that TSG and TSNA (subsidiaries of the Group) entered into Asset Purchase Agreement on 27 April 2007 with Solar Co. whereby TSG and TSNA sold the production facilities relating to photovoltaic products and located at the Premises to Solar Co. at a consideration of US$1.5 million (equivalent to approximately HK$11.6 million). On the same date, TSG also entered into Settlement Agreement with RESI and Dr. Kiss to transfer its rights and obligations in Blue Star Project to RESI.

The transactions contemplated under the Relevant Agreements constitutes a very substantial disposal and connected transaction under the Listing Rules and are subject to the approval of Independent Shareholders at the SGM.

In addition, Mr. Henry J. Behnke III and Mr. On Kien Quoc will retire as Directors at the SGM and will offer themselves for re-election at the SGM.

* *For identification purpose only*

The purpose of this circular is to provide, among others, (i) further details of the Relevant Agreements; (ii) financial information relating to the Group (including an accountants' report on the Group and an pro forma income statement, balance sheet and cash flow statement of the Remaining Group); (iii) opinions of the Independent Board Committee and AsiaVest; (iv) valuation reports of Norton Appraisals; (v) biographical details of Directors proposed to be re-elected; and (vi) a notice convening the SGM (as set out on pages 131 to 132 of this circular).

THE ASSET PURCHASE AGREEMENT (varied by the supplemental agreement dated 11 October 2007 between the Sellers and the Buyer)

Date

27 April 2007

Parties

Sellers: TSG and TSNA, both are subsidiaries of the Group ("Sellers")

Buyer: Solar Co. ("Buyer"), a company engaged in the principal business of solar applications and products

Assets being disposed

The Sellers agreed to sell all machinery, equipment and hardware of any kind associated with the business of manufacturing of photovoltaic panels and sale of the photovoltaic manufacturing equipment and located at the Premises to the Buyer under the Asset Purchase Agreement.

Purchase price

The purchase price is in the sum of US$1,500,000 (equivalent to approximately HK$11,625,000) which was agreed to be settled in cash according to the following timetable:

Installment	Payment Amount *(US$)*	Payment Date
1st	100,000	1 May 2007
2nd	150,000	1 June 2007
3rd	200,000	1 July 2007
4th	300,000	1 August 2007
5th	350,000	1 September 2007
6th	200,000	1 October 2007
7th	200,000	1 November 2007
Total	1,500,000	

All the above installments have been paid by the Buyer to the Sellers. The basis for the determination of the purchase price is set out in the paragraph headed "Consideration" set out below.

Use of the purchase price

The purchaser price under the Asset Purchase Agreement will be used by the Group as general working capital of the Group.

Condition precedent and Completion of the Asset Purchase Agreement

The obligations of the Buyer and the Sellers to effect completion of the Asset Purchase Agreement shall be conditional upon the passing of resolution by the Independent Shareholders at the SGM approving the transactions contemplated under the Relevant Agreements. The parties agreed to complete the Asset Purchase Agreement on the Closing Date which shall be within five business days after (1) the fulfillment of the above condition precedent and (2) payment by the Buyer of the 7th installment of the Purchase Price and total outstanding accrued interests to the Sellers. Upon the receipt of the full purchase price under the Asset Purchase Agreement, the ownership of the assets being purchased under the Asset Purchase Agreement shall be transferred from the Sellers to the Buyer on the Closing Date.

OTHER AGREEMENTS ENTERED INTO TOGETHER WITH THE ASSET PURCHASE AGREEMENT

Assignment and Assumption of Commercial Lease for the Premises ("Assignment of Lease")

Date

27 April 2007

Parties

Assignor: TSNA (the "Assignor")

Assignee: Solar Co. (the "Assignee")

The Assignor was the tenant under certain commercial lease ("Lease") for the Premises dated 16 February 2006 between the Assignor and the landlord of the Premises for a term of 10 years from 1 March 2006 at progressive annual rental payments in the range from US$225,000 (equivalent to HK$1,743,750) per annum in the first year to US$500,000 (equivalent to HK$3,875,000) per annum in the tenth year with aggregate rental payments in ten years of US$4,100,000 (equivalent to HK$31,775,000). The Assignor rented the Premises with floor area of around 50,000 square feet to carry on the photovoltaic business. The landlord of the Premises is a party independent of the Company and its connected persons.

By execution of the Assignment of Lease which is legal in the US jurisdiction, the Assignor agreed to transfer all its right and interests in the Lease to the Assignee with effect from the Closing Date. On the Closing Date, the parties to the Assignment of Lease will also obtain the written consent of the landlord of the Premises to the terms of the Assignment of Lease to the effect that the Assignor will be discharged from all the obligations under the Lease which will be taken up by the Assignee with the effect from the Closing Date. As far as the Directors are aware, the management of TSG have started to negotiate with the landlord of the Premises about the obtaining of the said consent and they have confident that they will obtain the consent on the Closing Date.

Settlement Agreement

Date

27 April 2007

Parties

(1) TSG; and

(2) RESI and Dr. Kiss

Main term of Settlement Agreement

TSG entered into the Settlement Agreement with RESI and Dr. Kiss, whereby, among others, TSG agreed to transfer all its rights and obligations under Blue Star Project to RESI except that TSG keeps 10% equity interest in BSTP along with the rights and obligations in connection with the 10% equity interest. RESI is a company engaged in the principal business of solar applications and products.

Blue Star Project

In January 2005, TerraSolar, Inc., a company of which Dr. Kiss was one of the directors and the major shareholder, entered into agreements with Blue Star, whereby

(1) BSTP would be established in the PRC under joint venture contract with Blue Star, TerraSolar, Inc. and Cameste Resources Limited as joint venture partners to engage in the business of manufacturing, marketing, and after-sales service of CIGS solar module and a-Si solar module in the PRC (The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Cameste Resources Limited and its ultimate owner are third parties independent of the Company and its connected persons);

(2) TerraSolar, Inc. would sell the equipment to BSTP in relation to manufacturing of CIGS solar module and a-Si solar module under equipment sale/purchase agreements; and

(3) TerraSolar, Inc. would transfer technology and know-how to BSTP in relation to manufacturing of CIGS solar module and a-Si solar module under technology transfer contracts.

The project of establishing business of manufacturing and marketing of CIGS solar module and a-Si solar module in the PRC by TerraSolar, Inc. as supplier of equipment and provider of technical services to BSTP as contemplated under the above-mentioned agreements (including joint venture contract, equipment sale and purchase agreement and technology transfer contracts) is referred to as "Blue Star Project" and the Blue Star Project was originally held by TerraSolar, Inc. After the completion of this Blue Star Project, BSTP will be engaged in the manufacturing and marketing of the said solar modules in the PRC.

In April 2005 (before the Company's acquisition of the TSG Group in July 2005), TSG entered into an Assignment and Assumption of the Blue Star Project with TerraSolar, Inc. whereby TerraSolar, Inc. assigned to TSG all the rights and obligations of TerraSolar, Inc. under the Blue Star Project. Before April 2005, the Blue Star Project was held by TerraSolar, Inc. and TerraSolar, Inc. transferred the ownership of the project to TSG in April 2005. After the execution of the Settlement Agreement in April 2007, TSG transferred the ownership of the project to RESI.

Other terms of the Settlement Agreement

RESI and Dr. Kiss will provide management and oversight as well as administrative support necessary for completion and delivery of equipment, prepare and deliver operational manuals to Blue Star, complete training on-site of Blue Star personnel at locations of Blue Star, and complete the performance tests for Blue Star. The parties to the Settlement Agreement shall use their best efforts to release TSG of any obligations and liabilities under the Blue Star Project. RESI will also make a best effort to obtain a release from Blue Star of the Company's performance guarantee in relation to the equipment purchase agreement. RESI also agreed to take up all the obligations of TSG under the Lease from the date of the Settlement Agreement to the Closing Date, after which Solar Co. will assume all the liabilities under the Lease.

Consideration

The aggregate amount of consideration to be received under the Relevant Agreements (collectively, comprising Asset Purchase Agreement, the Assignment of Lease and the Settlement Agreement and all related agreements) is equal to the purchase price to be paid under the Asset Purchase Agreement which is in the sum of US$1,500,000.00 (equivalent to approximately HK$11,625,000). Under the terms of the Assignment of Lease and the Settlement Agreement, the parties to the aforesaid agreements have agreed to assign and assume the rights and obligations as contemplated thereunder without further payment of consideration. The consideration was negotiated between the parties at arm's length, having regard to the fair value of the assets and liabilities to be transferred under the Relevant Agreements based on re-assessment of the fair value made by the Directors:

	As at 31 March 2007	
	Fair value	**Carrying amount in the books of the Group**
	(HK$'000)	*(HK$'000)*
Assets		
Property, plant and equipment	10,616	13,333
Inventories	758	758
Trade receivable	37,627	37,627
Other receivable	5,219	5,219
Total assets	54,220	56,937
Liabilities		
Trade payable	35,600	35,600
Other payable	6,995	6,995
Total liabilities	42,595	42,595
Net assets	11,625	14,342

The above financial information is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 which have been prepared in accordance with the Hong Kong Financial Reporting Standards (for details please refer to note 27 "Asset held for sale" to the aforesaid financial statements on pages 74 to 75 of the 2007 Annual Report of the Company). The assets disposed under the Asset Purchase Agreement are classified under the asset with the description of "Property, plant and equipment" as set out in the above table.

The fair value of the above assets and liabilities is based on their book amounts as at 31 March 2007 with due adjustment made to the property, plant and equipment in consideration of factors of condition, utility, age and obsolescence. The re-assessment of the above assets and liabilities to fair value resulted in a loss of HK$2,717,000 (representing the deficit of the consideration over the net book value of the assets disposed under the Relevant Agreements) recorded in the consolidated income statement of the Group in the year ended 31 March 2007. The said loss is mainly attributable to depreciation in fair value as compared with carrying cost of various manufacturing equipment which is currently not in use due to obsolescence.

The unaudited net loss before and after tax of the business of the assets transferred under the Relevant Agreements for the year ended 31 March 2007 amounted to approximately HK$5,817,000. There is no profit or loss of the business of such assets for the year ended 31 March 2006.

REASONS FOR AND BENEFITS FROM ENTERING INTO THE RELEVANT AGREEMENTS

The Group is principally engaged in photovoltaic business, strategic investments and capital market activities and financing business.

Production facilities at the Premises

As mentioned in the Annual Report of the Company for the year ended 31 March 2007 in the paragraph headed "Solar Business" in the section of Management Discussion and Analysis (page 6), the Group plans to shift the production to Asia in order to minimize the production cost. In December 2006, the Group has entered into an agreement to supply 31 sets of "Vetrogrid" production equipment to a business partner in the PRC. In May 2007, the Group entered into joint venture contract to form a joint venture company which paves the way for the establishment of manufacture base of photovoltaic products in Jiangxi province. The Group has recently discussing business opportunities with various suppliers of photovoltaic manufacturing equipment in Taiwan. The production facility at the Premises has been utilized mainly to support the delivery of equipment and services under the Blue Star Project. Apart from the support to the Blue Star Project, the production facility did not generate any other revenue in the financial year ended 31 March 2007. The average monthly running cost of the production facilities (including the rent, material and staff costs) amounted to around US$120,000 (equivalent to approximately HK$930,000). By entering into the Asset Purchase Agreement and the Assignment of the Lease, the Group is able to dispose of assets which are not consistent with the Group business strategy and to improve the Group cashflow instantly.

Blue Star Project

Originally the agreements in relation to the sale of equipment and provision of related services under the Blue Star Project were entered into by TerraSolar, Inc. in January 2005, before the acquisition of the TSG Group by the Company in July 2005. By the end of March 2007, the majority of equipment in relation to the manufacturing of CIGS solar module and a-Si solar module under the Blue Star Project have been delivered. The remaining work and services to be carried out by TSG under the Blue Star Project is to complete the installation, carry out performance test of the installed equipment, provide manuals and on-site training to the staff of customer. As know-how involving CIGS solar module is still an emerging technology, the Group is exposed to implementation risk when the performance test results may take time and resources to prove to be satisfactory. After discussion between the Company and Dr. Kiss who is the person who introduced the Blue Star Project to the Group, Dr. Kiss agreed to take up all the remaining obligations of TSG under the Blue Star Project by execution of the Settlement Agreement. As the production facility at the Premises are mainly utilized for the support of the Blue Star Project, the Asset Purchase Agreement and the Assignment of Lease were also executed in conjunction with the Settlement Agreement.

The Directors are of the view that the Relevant Agreements are on normal commercial terms and the terms of the Relevant Agreements are fair and reasonable and the transactions under the Relevant Agreements are in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Solar Co. is a company owned as to approximately 80% by Mrs. Kiss (wife of Dr. Kiss) and approximately 20% by other shareholders who are independent of the Company and its connected person. In addition, RESI is a company wholly owned by Dr. Kiss. At the date of execution of the Relevant Agreements, Dr. Kiss was a director of the Company and Mrs. Kiss was an associate of Dr. Kiss, a connected person of the Company. Dr. Kiss resigned from the Chairman and non-executive Director of the Company with effect from 27 August 2007. As the applicable percentage ratio under revenue test in respect of the Relevant Agreements exceeds 75%, the transactions contemplated under the Relevant Agreements constitute a very substantial disposal and connected transaction under the Listing Rules, which will be subject to the reporting, announcement and Independent Shareholders' approval (to be taken by way of poll at the SGM) requirements under the Listing Rules. Dr. Kiss and his associates will abstain from voting on relevant resolution in respect of the approval of the connected transaction proposed at the SGM.

At the Latest Practicable Date, Dr. Kiss and his associates did not have beneficial interest in any Shares.

The Group does not have any prior transactions or relationship with Dr. Kiss or his associates which require aggregation of transactions under Rules 14.22 and 14A.25 of the Listing Rules.

FINANCIAL EFFECTS OF THE COMPLETION OF THE RELEVANT AGREEMENTS

Set out on the pages 114 to 122 of Appendix IV to this circular is the unaudited pro forma statement of adjusted consolidated net assets of the Group upon completion of the Relevant Agreements as if the completion had taken place on 30 September 2007. In the consolidated balance sheet of the Company as at 31 March 2007, it was recorded under the current asset with the description of "Asset held for sale" an amount of approximately HK$54,220,000 and under the current liabilities with the description of "Liabilities associated with assets classified as held for sale" an amount of approximately HK$42,595,000. It is estimated that the completion of the Relevant Agreement will give arise to a reduction in an amount of approximately HK$54,220,000 in the assets of the Group, a reduction in an amount of approximately HK$42,595,000 in the liabilities of the Group and a loss of amount of approximately HK$5,817,000 which was recorded in the income statement of the Group for the year ended 31 March 2007 (details are set out in the paragraph headed "Consideration" in this letter above).

RE-ELECTION OF RETIRING DIRECTORS

At the SGM, resolutions will also be proposed to re-elect the retiring Directors. In accordance with Bye-law 86(2), Mr. Henry J. Behnke III and Mr. On Kien Quoc, who were appointed by the board of Directors as Directors with effect on 10 September 2007, shall retire at the SGM and being eligible, offer themselves for re-election. Brief biographical details of the two retiring Directors who are proposed to be re-elected at the SGM are set out in Appendix V of this circular.

PROCEDURE TO DEMAND A POLL AT THE SGM

In accordance with Bye-law 66 of the Bye-laws of the Company, a resolution proposed at a general meeting of the Company shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by a poll is demanded:

(a) the chairman of such meeting; or

(b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised corporate representative) or by proxy for the time being entitled to vote at the meeting; or

(c) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the rules of the Stock Exchange, by and Directors or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

SGM

The transactions contemplated under the Relevant Agreements constitute a very substantial disposal and connected transaction under the Listing Rules and is subject to the approval of the Independent Shareholders (to be taken by way of poll at the SGM). Dr. Kiss and his associates will abstain from voting on relevant resolution in respect of the approval of the connected transaction proposed at the SGM.

The SGM will be held at Room A, 1/F, Harbour View International House, 4 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 18 March 2008, a notice of which is set out on pages 131 to 132 of this circular. In addition to resolutions proposed for re-election of Directors, an ordinary resolution will be proposed at the SGM for the Shareholders to approve the Relevant Agreements and transactions contemplated thereunder.

Enclosed is a form of proxy for use at the SGM. Whether or not you attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the holding of the SGM. Completion and return of proxy form will not prelude you from subsequently attending and voting at the SGM or any adjourned meeting(s) should you so wish.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chow Siu Ngor, Mr. Yin Tat Man and Mr. Tam Kam Biu William, has been established to advise the Independent Shareholders in respect of the terms of the Relevant Agreements. All members of the Independent Board Committee are independent non-executive Directors who do not have any interest in the proposed transactions mentioned in this circular. AsiaVest has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATIONS

The Directors consider that the terms of the Relevant Agreements are fair and reasonable to the Company and in the interests of the Shareholders as a whole. The Directors are also of the opinion that re-election of retiring Directors is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders and the Independent Shareholders to vote in favour of all the relevant resolutions proposed at SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Relevant Agreements. Your attention is also draw to the letter from AsiaVest as set out on pages 17 to 32 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of AsiaVest in relation to the Relevant Agreements, is of the opinion that the Relevant Agreements are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and resonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
CHINA SOLAR ENERGY HOLDINGS LIMITED
Pierre Seligman
Managing Director

CHINA SOLAR ENERGY HOLDINGS LIMITED
華基光電能源控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 155)

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION**

We refer to the circular of the Company dated 29 February 2008 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Relevant Agreements are fair and reasonable so far as the Independent Shareholders are concerned. AsiaVest has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and advice of AsiaVest as set out in its letter of advice on pages 17 to 32 of the Circular, we are of the opinion that the Relevant Agreements are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Relevant Agreements.

Yours faithfully,
For and on behalf of
Independent Board Committee

Chow Siu Ngor	**Yin Tat Man**	**Tam Kam Biu William**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

* *For identification purpose only*

The following is the text of the letter of advice from AsiaVest to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for inclusion in this circular.

AsiaVest Partners
AsiaVest Partners Limited

AsiaVest Partners Limited
Room 2605, Universal Trade Centre,
3 Arbuthnot Road, Central,
Hong Kong

29 February 2008

To the Independent Board Committee
and the independent Shareholders of
China Solar Energy Holdings Limited

Dear Sirs/Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
Asset Purchase Agreement and Settlement Agreement between TSG and TSNA with Solar Co., a company wholly owned by Dr. Kiss who was a director of the Company on 27 April 2007 ("The Transactions")

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in respect of Transactions in relation to the Asset Purchase Agreement between TSG, TSNA and Solar Co. whereby TSG and TSNA sold the production facilities relating to (i) the photovoltaic products and (ii) the lease of the premise in the United States to Solar Co. at an aggregate consideration of US$1.5 million (equivalent to approximately HK$11.6 million). On the same date, TSG also entered into (iii) Settlement Agreement with RESI and Dr. Kiss to transfer its right and obligations in Blue Star Project to RESI. Particulars of which are set out in the "Letter from the Board" (the "Letter") contained in the circular of the Company dated 29 February 2008 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Company announced on 6 November 2007, that the subsidiaries of the Group entered into Asset Purchase Agreement on 27 April 2007 with Solar Co. and on the same date, one of the subsidiaries also entered into Settlement Agreement with RESI and Dr. Kiss to transfer its right and obligations in the Blue Star Project to RESI.

Solar Co. is a company owned as to approximately 80% by Mrs. Kiss (wife of Dr. Kiss) and RESI is a company wholly owned by Dr. Kiss who was a director of the Company on 27 April 2007. Dr. Kiss resigned from the Board of the Company with effect from 27

August 2007. As the applicable percentage ratio under revenue test in respect of the Relevant Agreements constitutes over 75%, the Transactions contemplated under the Relevant Agreements constitute a very substantial disposal and connected transaction under the Listing Rules. Dr. Kiss and his associates will abstain from voting on relevant resolutions in respect of the approval of the connected transactions at the SGM.

The Group does not have any prior transactions or relationship with Dr. Kiss or his associates which require aggregation of transactions under Rule 14.22 and 14A.25 of the listing Rules safe and except to declare that Dr. Kiss was a director of the Company and provided technical consultation in the Blue Star Project.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Messrs Chow Siu Ngor, Yin Tat Man and Tam Kam Biu, William all of whom are independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Transactions is fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Transactions are in the interest of the Company and the Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Relevant Agreements are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and whether the entering into of the Relevant Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statements, information, opinions, representations, research findings and facts supplied to us by the Company and its advisers, including technical report of the solar energy market. We have assumed that all information and representations contained or referred to in the Circular or otherwise supplied to us by the Company were true at the time they were made and continue to be true as at the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth and accuracy of the information and facts provided to us. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our review and analyses were based upon the information provided by the Company which include, among others, (i) the Relevant Agreements; (ii) the annual reports of the Company for two years ended 31 March 2007 and 31 March 2006; (iii) the unaudited interim report of the Company for the period ended 30 September 2007, (iv) the valuation report prepared by Norton Appraisals Limited ("Norton Appraisals") in respect of the equipment disposed, (v) the valuation report of the Lease Agreement being assigned prepared by Norton Appraisals and (vi) the valuation report of the Blue Star Project prepared by Norton Appraisals and (vii) the progress report of the first set of "Vetrogrid" production equipment to a business partner in the PRC based on the agreement to supply 31 sets of the production equipment to the same party. We consider that we have been provided with sufficient information to reach an informed view regarding the terms of the Relevant Agreements, and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendations. We have no reason to suspect that the Company has withheld any relevant information. We have not, however, carried out any independent verification of the information, nor have we conducted any form of investigation into the businesses, operational aspects, financial standing and affairs of the Group or the equipment to be acquired by the Group and the physical status of the land being disposed of by the Group.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS CONSIDERED

Information on the Group

The Group is principally engaged in photovoltaic business, strategic investments and capital market activities and financing business.

As disclosed in the annual report of the Company for the financial year ended 31 March 2007, the Group's turnover was approximately HK$41 million, representing an approximately 241% increase from approximately HK$12 million for the financial year ended 31 March 2006. The consolidated loss for the year was approximately HK$3.3 million. This represents a decrease of approximately ten times from that for the year ended 31 March 2006 of approximately HK$97 million. The Group derived its revenue mainly from the solar business in 2006/2007, which according to the Management Discussion & Analysis section of the annual report for the year ended 31 March 2007, representing 93% of the business volume of the Group.

We noted that the increase in turnover was mainly because, as advised by the Executive Directors, the delivery of the Blue Star Project as contracted. As a result, the disposal of the project and those related support equipment and premises caused the Transactions to fall under the category of "Very Substantial Disposal" as the applicable percentage ratio under revenue test in respect of the Relevant Agreements exceeds 75%.

Background to and reasons for the Transactions

The Board of Directors of the Company became first aware of sale of assets and business operations of TSG and TSNA (two overseas subsidiaries of the Group) in the USA to Solar Co. after receipt of the draft audited financial statements of TSG in the middle of July 2007 during the preparation of the consolidated financial statements of the Group for the year ended 31 March 2007. Then, the Company has requested the management of TSG Group to provide further information and details about the concerned transaction. After obtaining the further information the Directors consider that the concerned transaction may constitute a connected and notifiable transaction under the Listing Rules and has requested the concerned parties to enter into a supplemental agreement to have the effect that the completion of the Asset Purchase Agreement is conditional upon the Independent Shareholders' approval for the compliance with the requirements of the Listing Rules. After the Company explanation of the requirements of the Listing Rules to the concerned parties and negotiation of the terms of the said supplemental agreement between the concerned parties, the parties to the Asset Purchase Agreement entered into a supplemental agreement on 11 October 2007. The Company has requested the management of TSG and TSNA to provide further information for the finalization of preparation of this announcement under the Listing Rules.

THE ASSET PURCHASE AGREEMENT (varied by the supplemental agreement dated 11 October 2007 between the Sellers and the Buyer)

Date

27 April 2007

Parties

Sellers:	TSG and TSNA, both are subsidiaries of the Group (Sellers)
Buyer:	Solar Co. (Buyer), a company engaged in the principal business of solar applications and products

Assets being disposed

The Sellers agreed to sell all machinery, equipment and hardware of any kind associated with the business of manufacturing of photovoltaic panels and sale of the photovoltaic manufacturing equipment and located at the Premises to the Buyer under the Asset Purchase Agreement.

Purchase price

The purchase price is in the sum of US$1,500,000 (equivalent to approximately HK$11,625,000) which was agreed to be settled in cash according to the following timetable:

Installment	Payment Amount *(US$)*	Payment Date
1st	100,000	1 May 2007
2nd	150,000	1 June 2007
3rd	200,000	1 July 2007
4th	300,000	1 August 2007
5th	350,000	1 September 2007
6th	200,000	1 October 2007
7th	200,000	1 November 2007
Total	1,500,000	

All the above installments have been paid by the Buyer to the Sellers. The basis for the determination of the purchase price is set out in the paragraph headed "Consideration" set out below.

Use of the purchase price

The purchaser price under the Asset Purchase Agreement will be used by the Group as general working capital.

Condition precedent and Completion of the Asset Purchase Agreement

The obligations of the Buyer and the Sellers to effect completion of the Asset Purchase Agreement shall be conditional upon the passing of resolution by the Independent Shareholders at the SGM approving the Transactions contemplated under the Relevant Agreements. The parties agreed to complete the Asset Purchase Agreement on the Closing Date which shall be within five business days after (1) the fulfillment of the above condition precedent and (2) payment by the Buyer of the 7th installment of the Purchase Price and total outstanding accrued interests to the Sellers. Upon the receipt of the full purchase price under the Asset Purchase Agreement, the ownership of the assets being purchased under the Asset Purchase Agreement shall be transferred from the Sellers to the Buyer on the Closing Date.

OTHER AGREEMENTS ENTERED INTO TOGETHER WITH THE ASSET PURCHASE AGREEMENT

Assignment and Assumption of Commercial Lease for the Premises ("Assignment of Lease")

Date

27 April 2007

Parties

Assignor: TSNA (the "Assignor")

Assignee: Solar Co. (the "Assignee")

The Assignor was the tenant under certain commercial lease ("Lease") for the Premises dated 16 February 2006 between the Assignor and the landlord of the Premises for a term of 10 years from 1 March 2006 at progressive annual rental payments in the range from US$225,000 (equivalent to HK$1,743,750) per annum in the first year to US$500,000 (equivalent to HK$3,875,000) per annum in the tenth year with aggregate rental payments in ten years of US$4,000,000 (equivalent to HK$31,775,000). The Assignor rented the Premises with floor area of around 50,000 square feet to carry on the photovoltaic business. The landlord of the Premises is a party independent of the Company and its connected persons.

By execution of the Assignment of Lease which is legal in the US Jurisdiction, the Assignor agreed to transfer all its rights and interests in the Lease to the Assignee with effect from the Closing Date. On the Closing Date, the parties to the Assignment of Lease will also obtain the written consent of the landlord of the Premises to the terms of the Assignment of Lease to the effect that the Assignor will be discharged from all the obligations under the Lease which will be taken up by the Assignee with the effect from the Closing Date. As far as the Directors are aware, the management of TSG have started to negotiate with the landlord of the Premises about the obtaining of the said consent and they have confident that they will obtain the consent on the Closing Date.

Settlement Agreement

Date

27 April 2007

Parties

(1) TSG

(2) RESI and Dr. Kiss

Main term of Settlement Agreement

TSG entered into the Settlement Agreement with RESI and Dr. Kiss, whereby, among others, TSG agreed to transfer all its rights and obligations under Blue Star Project to RESI except that TSG keeps 10% equity interest in BSTP along with the rights and obligations in connection with the 10% equity interest. RESI is a company engaged in the principal business of solar application and products.

Blue Star Project

In January 2005, TerraSolar, Inc., a company of which Dr. Kiss was one of the Directors and the major shareholder, entered into agreements with Blue Star, whereby

(1) BSTP would be established in the PRC under joint venture contract with Blue Star, TerraSolar, Inc., and Cameste Resources Limited as joint venture partners to engage in the business of manufacturing, marketing, and after-sales service of CIGS solar module and a-Si solar module in the PRC (The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Cameste Resources Limited and its ultimate owner and third parties independent of the Company and its connected persons);

(2) TerraSolar, Inc. would sell the equipment to BSTP in relation to manufacturing of CIGS solar module and a-Si module under equipment sale/purchase agreements; and

(3) TerraSolar, Inc. would transfer technology and know-how to BSTP in relation to manufacturing of CIGS solar module and a-Si module under technology transfer contracts.

The project of establishing business of manufacturing and marketing of CIGS solar module and a-Si solar module in the PRC by TerraSolar, Inc. as supplier of equipment and provider of technical services to BSTP as contemplated under the above-mentioned agreements (including joint venture contract, equipment sale and purchase agreement and technology transfer contracts) is referred to as "Blue Star Project" and the Blue Star Project was originally held by TerraSolar, Inc. After the completion of this Blue Star Project, BSTP will be engaged in the manufacturing and marketing of the said solar modules in the PRC.

In April 2005 (before the Company's acquisition of the TSG Group in July 2005), TSG entered into an Assignment and Assumption of the Blue Star Project with TerraSolar, Inc. whereby TerrsSolar, Inc. assigned to TSG all the rights and obligations of TerraSolar, Inc. under the Blue Star Project. Before April 2005, the Blue Star Project was held by TerraSolar, Inc. and TerraSolar, Inc. transferred the ownership of the project to TSG in April 2005. After the execution of the Settlement Agreement in April 2007, TSG transferred the ownership of the project to RESI, whereby as confirmed by the Directors that majority of the revenue had been accounted for by the Company prior to the Settlement.

Other terms of the Settlement Agreement

RESI and Dr. Kiss will provide management and oversight as well as administrative support necessary for completion and delivery of equipment, prepare and deliver operational manuals to Blue Star, complete training on-site of Blue Star personnel at locations of Blue Star, and complete the performance tests for Blue Star.

Consideration

The aggregate amount of consideration to be received under the Relevant Agreements (collectively, comprising Asset Purchase Agreement, the Assignment of Lease and the Settlement Agreement and all related agreements) is equal to the purchase price to be paid under the Asset Purchase Agreement which is in the sum of US$1,500,000 (equivalent to approximately HK$11,625,000). Under the terms of the Assignment of Lease and the Settlement Agreement, the parties to the aforesaid agreements have agreed to assign and assume the rights and obligations as contemplated thereunder without further payment of consideration. The consideration was negotiated between the parties at arm's length, having regard to the fair value of the assets and liabilities to be transferred under the Relevant Agreements based on re-assessment of the fair value made by the Directors:

	As at 31 March 2007	
	Fair Value	**Carry amount in The books of the Group**
	(HK$'000)	*(HK$'000)*
Assets		
Property, plant and equipment	10,616	13,333
Inventories	758	758
Trade receivable	37,627	37,627
Other receivable	5,219	5,219
Total assets	54,220	56,937
Liabilities		
Trade payable	35,600	35,600
Other payable	6,995	6,995
Total liabilities	42,595	42,595
Net assets	11,625	14,342

The above financial information is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 which have been prepared in accordance with the Hong Kong Financial Reporting Standards (for details please refer to note 27 "asset held for sale" to the aforesaid financial statements on pages 74–75 of the 2007 Annual Report of the Company). The assets disposed under the Asset Purchase Agreement are classified under the asset with the description of "Property, plant and equipment" as set out in the above table.

The fair value of the above assets and liabilities is based on their book amounts as at 31 March 2007 with due adjustment made to the property, plant and equipment in consideration of factors of condition, utility, age and obsolescence. The re-assessment of the above assets and liabilities to fair value resulted in a loss of HK$2,717,000 recorded in the consolidated income statement of the Group in the Year ended 31 March 2007. The said loss is mainly attributable to depreciation in fair value as compared with carrying cost of various manufacturing equipment which is currently not in use due to obsolescence.

The unaudited net loss before and after tax of the business of the assets transferred under the Relevant Agreements for the year ended 31 March 2007 amounted to approximately HK$5,817,000. There is no profit or loss of the business of such assets for the year ended 31 March 2006.

REASONS FOR AND BENEFITS FROM ENTERING INTO THE RELEVANT AGREEMENTS

The Group is principally engaged in photovoltaic business, strategic investments and capital market activities and financing business.

Production facilities at the Premises

As mentioned in the Annual Report of the Company for the year ended 31 March 2007 in the paragraph headed "Solar Business" in the section of Management Discussion and Analysis (page 6), the Group plans to shift the production to Asia in order to minimize the production cost. In December 2006, the Group has entered into an agreement to supply 31 sets of "Vetrogrid" production equipment to a business partner in the PRC. In May 2007, the Group entered into joint venture contract to form a joint venture company which paves the way for the establishment of manufacture base of photovoltaic products in Jiangxi province. The Group has recently discussing business opportunities with various suppliers of photovoltaic manufacturing equipment in Taiwan. The production facility at the Premises has been utilized mainly to support the delivery of equipment and services under the Blue Star Project. Apart from the support to the Blue Star Project, the production facility did not generate any other revenue in the financial year ended 31 March 2007. The average monthly running cost of the production facilities (including the rent, material and staff costs) amounted to around US$120,000 (equivalent to approximately HK$930,000). By entering into the Asset Purchase and the Assignment of the Lease, the Group is able to dispose of assets which are not consistent with the Group business strategy and to improve the Group cash-flow instantly.

Blue Star Project

Originally the agreements in relation to the sale of equipment and provision of related services under the Blue Star Project were entered into by TerraSolar, Inc. in January 2005, before the acquisition of the TSG Group by the Company in July 2005. By the end of March 2007, the majority of equipment in relation to the manufacturing of CIGS solar module and a-Si solar module under the Blue Star Project have been delivered. The remaining work and services to be carried out by TSG under the Blue Star Project is to complete the installation, carry out performance test of the installed equipment, provide manuals and on-site training to the staff of customer. As know-how involving CIGS solar module is still an emerging technology, the Group is exposed to implementation risk when the performance test results may take time and resources to prove to be satisfactory. After discussion between the Company and Dr. Kiss who is the person who introduced the Blue Star Project to the Group, Dr. Kiss agreed to take up all the remaining obligations of TSG under the Blue Star Project by execution of the Settlement Agreement. As the production facility at the Premises are mainly utilized for the support of the Blue Star Project, the Asset Purchase Agreement and the Assignment of Lease were also executed in conjunction with the Settlement Agreement.

The Directors are of the view that the Relevant Agreements are on normal commercial terms and the terms of the Relevant Agreements are fair and reasonable and the transactions under the Relevant Agreements are in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Solar Co. is a company owned as to approximately 80% by Mrs. Kiss (wife of Dr. Kiss) and approximately 20% by other shareholders who are independent of the Company and its connected person. In addition, RESI is a company wholly owned by Dr. Kiss. At the date of execution of the Relevant Agreements, Dr. Kiss was a director of the Company and Mrs. Kiss was an associate of Dr. Kiss, a connected person of the Company. Dr. Kiss resigned from the Chairman and non-executive Director of the Company with effect from 27 August 2007. As the applicable percentage ratio under revenue test in respect of the Relevant Agreements exceeds 75%, the transactions contemplated under the Relevant Agreements constitute a very substantial disposal and connected transaction under the Listing Rules, which will be subject to the reporting, announcement and Independent Shareholders' approval (to be taken by way of poll at the SGM) requirements under the Listing Rules. Dr. Kiss and his associates will abstain from voting on relevant resolutions in respect of the approval of the connected transaction proposed at the SGM.

At the Latest Practicable Date. Dr. Kiss and his associates did not have any beneficial interest in the Shares.

The Group does not have any prior transactions or relationship with Dr. Kiss or his associates which require aggregation of transactions under Rules 14.22 and 14A.25 of the Listing Rules.

BASIS OF CONSIDERATION FOR THE TRANSACTIONS:

(I) The Asset Purchase Agreement

Business environment and the utilization of the disposed production facility:

As advised by the Directors, the consideration for the Disposal and exchange Transaction was negotiated on an arm's length basis and on normal commercial terms between the contracted parties.

The reason for the Disposal was stated by the Directors illustrated above. We have confirmed with the Directors that the production facility at the Premises which formed the contents of the Asset Purchase Agreement, was mainly utilized to support the delivery of equipment and services under the Blue Star Project. Due to the un-economic prospects of maintaining the production facility in the USA to support future business pursuits of the Group in Asia, the Directors' recommendation to dispose of this production facility at market value in May 2007, taking into consideration of future cost elements, is fair and reasonable as far as the Company is concerned. In addition, the diversification policy adopted in 2007 and the future reliance in such production facility shall be negligible, as a result of the Group entering into joint venture contract to form a joint venture company that paves the way for the establishment of manufacturing base of photovoltaic product in Jiangxi province in the PRC during the year. We further reviewed the alternate usage of the existing production facility to probable future installation in Asia with the technical personnel of the Company and came to the conclusion that the best value arising from this aged facility would be to dispose of to Dr. Kiss so that Solar Co. can pay for a reasonable market price and continue to use such facility to support the completion of the Blue Star Project, whereby much of the revenue was already recognized by the Company in the past. This conclusion was further supported by confirmation from the Company that the production facility did not generate any other revenue in the financial year ended 31 March 2007 and the continuous payment of the running cost of the production facilities amounting to US$120,000 per month and is not for the best interest of the Company and the Shareholders in the future if further support is needed.

Financial consideration:

Reference made to the valuation report dated 11 January 2008 prepared by Norton Appraisals which has carried out a review of the production facility at the Premises and concluded that the fair value of the equipment was US$1,560,000 at the Latest Practical Date, by using cost approach and the market approach of valuation methodologies to form the recommendation of consideration. Detailed of the valuation is included in Appendix I (3) of the Circular. Norton Appraisals stated that they have valued the Fixed Assets on the basis of its fair market value in continued existing use and we have no reason to seek alternate confirmation apart from the Valuation Report prepared since the production facility consisted of very specialized equipment and the usage and the fair consideration given tied with the potential usage of such equipment for the owner, which Norton Appraisal has examined. Based on all the information made available to us and the assessment of the new production facility requirements and installation price, the used facility in fact has no greater commercial value to the Company than scrap value and cannot be utilized for those future facilities contemplated by the Company either in the PRC or Taiwan.

We concur therefore with the Directors of their assessment of the disposal value, which was further confirmed by an independent valuation by professional appraiser, giving a fair value for the production facility of US$1,560,000, which represents only a 5% discount given by the Company based on the terms of the contract. Accordingly, the Asset Purchase Agreement and the terms therein, including the exchange consideration, are in the interests of the Company and Independent Shareholders as a whole and the terms of these Agreements are fair and reasonable so far as the Independent Shareholders are concerned. We consider the payment terms of 10 installment of an aggregate sum of US$1,500,000 each was concluded on practical reason and did not consider such term is of undue prejudice to the interest of the Shareholders as a whole.

(II) Assignment and Assumption of Commercial Lease for the Premises

Information of the Lease Assignment Agreement:

As disclosed above, the Assignor was the tenant under certain commercial lease for the Premises dated February 2006 between the Assignor and the landlord of the Premises, who is a party independent of the Company and its connected persons, for a term of ten years from 1 March 2006 at progressive annual rental payments in the range from US$225,000 per annum to US$500,000 per annum in the tenth year with progressive rental payments.

Subject to the approval of the Assignment of the Lease by the Shareholders of the Company, the Group shall no longer be obligated to be bind by this Agreement when the usage of the Premises is determined by the Directors of no further need for the Group business.

We have been advised that the remaining work and services to be carried out by TSG under the Blue Star Project is to complete the installation, carry out performance test of the installed equipment, provide manuals and on-site training to staff of the customer, the usage of the USA facility is going to be limited as liaison office. In view also that the Company has also recently discussing business opportunities with various suppliers of photovoltaic manufacturing equipment in Taiwan, the recurring expenses for the facility has no economic benefit for the Company in the future periods and the disposal of such together with the production facility would be of the best interest of the Company.

Economic condition of the real estate market in the USA:

Stan Ross, Chair of University of Southern California Lusk Centre for Real Estate predicted in December 2007 that the United States likely will have a weaker economy in 2008, and that will spill over into commercial sector. Also according to the 29th annual forecast by PriceWaterhouseCoopers and the Urban Land Institute of the United States issued in late 2007, the office buildings, industrial sites, apartments, retail centers is expected to slow in 2008 in the face of a slowing economy and a credit crunch caused by the sub-prime mortgage meltdown. These forecasts predict softening of rental rate for the Premises and the Leased executed by the Assignor with escalating clauses for the remaining 8 years of the terms proved to be of no "re-assignment" commercial value as far as new renter is concerned because they can locate readily available properties at a reduced rental rate than the existing Lease.

We further refer to the professional valuation report of the Lease from Norton Appraisals which gave the lease agreement a no commercial value opinion. Detailed of which is disclosed under Appendix I (2) of the Circular. The valuation given reassured our observation that when determining the value of the Transactions as a whole, the Lease Assignment provides no commercial value for the Transactions.

(III) Terms of the Settlement Agreement:

Business consideration:

Based on the review of the Settlement Agreement, TSG entered into the Settlement Agreement with RESI and Dr. Kiss, whereby, among others, TSG agreed to transfer all its right and obligations under Blue Star Project to RESI, except that TSG keeps 10% equity interest in BSTP along with the rights and obligations in connection with the 10% equity interest of RESI. RESI is a company engaged in the principal business of solar applications and products in the PRC.

Given the background of the Blue Star Project, and the knowledge of the departure of Dr. Kiss in August 2007, the Company immediate reassessed its obligations, risks, financial resources and business objectives in order to protect the interest of the Company. The technical forecasts of the Blue Star Project revealed that the Project will derive no further profit to the Company. However, the risk and obligations attached to the contract for the delivery and completion of the Blue Star Project out-weighted the benefit for the Company.

Following an arms-length negotiation with Dr. Kiss on the Project, which took into consideration of Dr. Kiss theoretical experiences on the Blue Star Project and the complexity of the CIGS solar module technology, the Group was advised by internal technical professionals that the Company might be exposed to possible implementation risk, the performance test results may take time to complete and also resources to continue the research might prove to be not adequate due to the present focus in delivery of the signed contracts.

We make reference to the risk management principal which stated that "risks are borne by those who are in the best position to bear them and firms and individuals can take on riskier and more profitable projects by hedging those risks that can be hedged". The Settlement Agreement calls of the parties to the Settlement Agreement to use their best efforts to release TSG of any obligations and liability under the Blue Star Project. RESI will also make a best effort to obtain a release from Blue Star of the Company's performance guarantee in relation to the equipment purchase agreement. RESI also agreed to take up all the obligations of TSG under the Lease from the date of the Settlement Agreement to the Closing Date, after Solar Co. will assume all the liability under the Blue Star Project and the Lease. By performing "risk-benefit" analysis of having the Company to continue its obligations under the Blue Star Project together with those reasons as stated above, the findings support the decision of the Directors in entering into the Settlement Agreement. Furthermore, the entering into the Asset Purchase Agreement and the Assignment of the Lease and the Settlement Agreement, the Group is able to dispose of assets which are not consistent with the Group present business strategy of concentrating in securing the supply chain from the Greater China region and the conclusive view to dispose of the production facility and the Blue Star Project would improve the Group returns.

In arising of our view, we have reviewed market reports and research materials on the Solar Energy industry and the findings are summarized as follows:

(i) According to the Washington-based Worldwatch Institute issued in November 2007, China is on track to acquire 15% of its energy from renewable sources by 2020, while the United States is not as far in its transition away from fossil fuels. According to the report- "Powering China's Development: the Role of Renewable Energy", countries worldwide invested more than US$50 billion collectively into renewable energy conversion in 2006, and in 2007 China alone is expected to account for some US$10 billion of investment. These research findings support the Company's decision to invest into manufacturing and supply chain in Asia in order to be more competitive to further business opportunities in the PRC while China advances closer towards its renewable energy goals.

(ii) Based on the Solar Energy News Centre Report published by the Solarbuzz TM, it had revealed that between October 2007 and 19 November 2007, 12 out of the 15 solar energy contracts signed related to China. The competitive nature of the market reinforced the view that a more economical production based would be required when the technology know-how is resolved and the Group's decision to concentrate in the new projects entered and transferred the obligations of the Blue Star Project is fair and reasonable to the Company and its shareholders as a whole.

Financial Consideration for the disposal of the Blue Star Project:

The Company retained Norton Appraisals Limited to carry out an appraisal of the fair values of the Equipment Sale/Purchase Agreement, Technology Transfer Contract between Terra Solar Global Inc. and Renewable Energy Solution, Inc. as at 27 April 2007, which form parts of the Settlement Agreement (collectively called "Valuation Report-Blue Star").

The Valuation Report-Blue Star which is disclosed under Appendix I (1) concluded that (i) the fair value of the Equipment Sale/Purchase Agreement transferred from TSG to BSTP was in the sum of US$66,000; and (ii) there shall be no commercial value attributed to the Technology Transfer Contract transferred from TSG to BSTP.

We made reference to the Directors' confirmation that prior to the transfer, the Company was required to finance and support the recurring expenses of the Blue Star Project, which was related to the above-noted contracts of approximately US$89,000 per month excluding rental. By transferring the rights and obligations of the Blue Star Project currently entered into, the Company has recovered indirectly the sum of US$89,000 per month since May 2007, which fully compensated the value transferred as concluded by the Norton Appraisals of US$66,000.

In addition, Norton Appraisals also concluded that there was no commercial value for the Technology Transfer Contracts, which would have taken the risk and rewards into consideration. Accordingly, we are of the opinion that the terms of this Agreement is fair and reasonable in so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

CONCLUSION

Based on these findings and the valuation reports received which provide the fair market value of the assets being disposed, we are of the opinion that the Company's strategy to transfer of the support production to Asia, and the disposition of the Blue Star Project and related facilities in the United States are consistent with the Management direction and so far as the Company and Shareholders are concerned, the Agreements are entered with the interest of the Shareholders and therefore, based on the above analysis of market consideration and independent valuation on fair market value for those assets being transferred, we are of the opinion that the consideration for the Transactions, taking in aggregate for an amount of US$1,500,000 is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, including the independent valuation reports, we would like to draw your attention to the following key factors in arriving at our recommendation:

(i) the market prospect of the Mainland China solar power sector, particularly in terms of management of the supply chain and anticipation of fierce competitions;

(ii) The Relevant Agreements were executed in April, 2007 when the "sub-prime mortgages" debacle of the United States was just on the verge of transforming into major credit crises for the rest of the World. The announcement of the Countrywide Financial substantial write-down of the loan portfolio in August 2007 created unsettling economic environment and therefore the terms of the Settlement entered by the Company were concluded at a more favourable economic condition and the likelihood of achieving a better terms would be uncertained;

(iii) the respective fair market value of the production facility, leases and the Blue Star Project being disposed of based on market conditions;

(iv) the terms of the Relevant Agreements which provides a basis of exchange between parties and are negotiated under normal commercial terms;

(v) the financial impacts of the Relevant Agreements to the Group which is in accordance with the existing business objective pursued; and

(vi) the valuation reports of

   (a) the disposed production facility,

   (b) the Lease Assignment Agreement, and

   (c) the market value of the Blue Star Project carried out independently and professionally by Norton Appraisals are set out in Appendix I of the Circular.

We therefore consider the terms of the Relevant Agreements are fair and reasonable in so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to the Transactions to be approved at the SGM.

Yours faithfully,
For and on behalf of
AsiaVest Partners Limited
Raymond Lo CF
Managing Partner

(1) VALUATION REPORT IN CONNECTION WITH THE BUSINESS VALUATIONS OF EQUIPMENT SALE/PURCHASE AGREEMENT AND TECHNOLOGY TRANSFER CONTRACT

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the business valuations of Equipment Sale/Purchase Agreement and Technology Transfer Contract as at 27 April 2007.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Kung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

29 February 2008

The Directors
China Solar Energy Holdings Limited
21/F, No. 3 Lockhart Road
Wan Chai
Hong Kong

Dear Sirs,

Re: Valuations of the Equipment Sale/Purchase Agreement and Technology Transfer Contract transferred from Terra Solar Global, Inc., to Renewable Energy Solution, Inc.,

In accordance with your instructions for us to carry out an appraisal of the market values of the Equipment Sale/Purchase Agreement and Technology Transfer Contract (hereinafter together referred to as the "Agreements") between Terra Solar Global, Inc., (hereinafter referred to as the "TSG") and Renewable Energy Solution, Inc., (hereinafter referred to as the "RESI") as at 27 April 2007 (hereinafter referred to as the "Date of Valuation").

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Agreements as at the Date of Valuation for public documentation purposes.

This report states the purpose of appraisal and scope of our works, identifies the Agreements, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 Purpose of Appraisal

This report is being prepared solely for the use of the directors and management of China Solar Energy Holdings Limited (hereinafter referred to as the "Company") and for the purpose of evaluating the proposed disposal of the Asset Purchase Agreement and Settlement Agreement between TSG and TSNA with Solar Co.,. In addition, Norton Appraisals Limited ("Norton Appraisals") acknowledge that this report may be made available to the independent financial advisor of the Company and used by such advisor as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators (The Stock Exchange of Hong Kong Limited).

Norton Appraisals assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 Basis of Valuation

Market Value is defined as the estimated amount for which the business should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Our valuation has been prepared in accordance with HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

3.0 Scope of Work

Our appraisal conclusions are based on the assumptions stated herein and on information provided by the management of the Company or its representative (hereinafter referred to as the "Management").

In preparing this report, we have had discussions with the Management and TSG in relation to the development and prospects of the solar applications and products industries in the PRC. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Agreements provided to us by TSG and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the Agreements will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

4.0 Background of the Agreements

4.1 The Settlement Agreement

TSG entered into the settlement agreement with RESI, whereby, among others, TSG agreed to transfer all its rights and obligations under the Blue Star Project (hereinafter referred to as the "Project") to RESI as at the Date of Valuation. RESI will provide management and oversight as well as administrative support necessary for completion and delivery of equipment, prepare and deliver operational manuals and complete the performance tests to Blue Star, a joint venture partner of Weihai Blue Star Terra Photovoltaic Co. Ltd. (hereinafter referred to as the "BSTP"). RESI would use their best efforts to release TSG of any obligations and liabilities under the Project.

4.2 The Project

In January 2005, Terra Solar, Inc., (hereinafter referred to as the "Terra Solar"), Blue Star and Cameste Resources Limited established a joint venture company under the name of BSTP to engage in the business of manufacturing, marketing, and after-sales service of CIGS solar module and a-Si solar module in the PRC.

The Project included the following agreements:

1. Terra Solar would sell the equipment to BSTP in relation to manufacturing of CIGS solar module and a-Si solar module under the Equipment Sale/Purchase Agreement; and

2. Terra Solar would transfer technology and know-how to BSTP in relation to manufacturing of CIGS solar module and s-Si solar module under the Technology Transfer Contract.

In April 2005 (before the Company's acquisition of the TSG Group in July 2005), TSG entered into an assignment of the Project with Terra Solar which assigned to TSG all the rights and obligations of Terra Solar under the Project. Therefore, Terra Solar transferred the ownership of the Project to TSG in April 2005 and in April 2007; TSG transferred the ownership of the Project to RESI.

4.3 The Agreements

(i) The Equipment Sale/Purchase agreement was signed on January 2005, Terra Solar agreed to sell a 2.5 MW CIGS Photovoltaic Thin Film module manufacturing facility, and one 2.5MW a-Si Photovoltaic Thin Film module manufacturing facility. The total sales price for this agreement is $9 million US dollars for both facilities.

(ii) The Technology Transfer Contract was signed on January 2005, Terra Solar agreed to transfer the complete technology for manufacturing s-Si and CIGS solar thin film PV modules. BSTP would use this technology to manufacturing a-Si and CIGS solar thin PV modules. The total transfer fee was the amount of $6 million US dollars.

5.0 Investigation and Analysis

Our investigation included discussions with members of the Management of the Company in relation to the development and prospects of the solar applications and products industries, and the development, operations and other relevant information of TSG. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the solar applications and products industries from external public sources as we consider necessary for the purpose of this appraisal. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Agreements provided to us by the Management and TSG and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in the Agreements requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal include, but not limited to, the following:

- The nature and prospect of the Agreements.
- The financial position of the Agreements.
- Relevant licenses and agreements.
- The business risk of the Agreements such as the ability in maintaining competent technical and professional personnel.
- Investment returns and market transactions of entities engaged in similar lines of business.

6.0 Methodologies Considered

We have considered the three traditional valuation methodologies, we consider that the Cost-Based Approach is the most appropriate method to arrive at the market values of the Agreements based on the following findings.

6.1 Market-Based Approach

We consider this approach to be inappropriate because the Agreements are unique and not tradable in the market. It is also difficult to find similar agreements that have been acquired. Although public information is sometimes available, there are generally not enough of these transactions to perform the valuation adequately.

6.2 Income-Based Approach

We consider this approach to be inappropriate because it is very unlikely to predict the future economic benefit into a present single amount. As the Agreements involving CIGS solar module is still an emerging technology, this makes the Agreements difficult to determine the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

6.3 Cost-Based Approach

The Cost-Based Approach is the most generally accepted way of determining a value of the Agreements. The approach requires an estimate of the cost of reproduce or replaces existing Agreements. The value of the Agreements are estimated based upon the principle of substitution which holds that an informed purchaser will pay no more than the total cost to similar Agreements. This method used to derive an indication of value by the Cost-Based approach is:

1. Using the financial information from TSG to calculate the carrying value of the Agreements; and

2. Calculate the assets and liabilities transferred related to the Agreements.

6.4 The Agreements Valuation

We have reviewed the Agreements and the major findings related to the financial information, assets and liabilities are summarized as follows:

- According to TSG information, the Project has been physically completed 79% as at 31 March 2007.

- RESI would receive the remaining funds from the Agreements USD3,935,000 to complete and fulfill the obligation of the Agreements, including the installation, carries out the performance test and provide manuals and on-site training to the staffs.

- RESI would only have the obligation to the Project and receive the remaining funds from the Agreements. RESI would not have the future economic benefit after the completion of facilities and from the Project.

- As of the Date of Valuation, the technology for CIGS has not developed to a stage where it can be applied in mass production. Therefore the CIGS technology from the Agreements had long being dropped in mutual agreement by Blue Star and TSG.

- The remaining cost to complete the Project, including the manufacturing facility would be uncertain due to the know how involving CIGS solar module is still an emerging technology, the performance test my take time and resources to prove to be satisfactory.

- The market values of the Agreements would be the net assets value of the Project as at the Date of Valuation.

7.0 Appraisal Assumptions

We have adopted certain specific assumptions in this appraisal and the major ones are as follows:

- All relevant legal approvals and business certificates or licences to operate the business in the localities in which TSG and BSTP operate or intend to operate would be officially obtained, and renewed upon expiry.

- There will be no major changes in the current taxation laws in the localities in which TSG operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.

- There will be no major changes in the political, legal, economic or financial conditions in the localities in which TSG operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Agreements.

- Interest rates and exchange rates in the localities for the operation of the TSG will not differ materially from those presently prevailing.

8.0 Limiting Conditions

This appraisal reflects facts and conditions existing at the date of appraisal. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Agreements and have assumed no responsibility for the title to the Agreements appraised.

We would particularly point out that our appraisal was based on the information such as background and terms and conditions of the Agreements provided to us.

Our conclusion of the market values are derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

9.0 Remarks

Unless otherwise stated, all monetary amounts stated in this appraisal report are in United States Dollars.

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

10.0 Opinion of Values

Based on the investigation and analysis stated above and on the appraisal method employed, we are of the opinion that the market values of the Agreements as at 27 April 2007 were as follows:

(i) The Equipment Sale/Purchase Agreement transferred from TSG to RESI was in the sum of **USD66,000 (United States Dollars Sixty Six Thousand Only)** and;

(ii) No Commercial Value has been attributed to the Technology Transfer Contract transferred from TSG to RESI.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung
Registered Business Valuer of HKBVF
MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

Alan T. L. Kam
B.Comm, MBA, DBA
Associate Director, Business Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 6 years' experience in business valuation in Hong Kong and the PRC.

Mr. T. L. Kam is a Doctoral in Business Administration who has more than 3 years experience in business valuation and internal control in Hong Kong and the PRC.

(2) VALUATION REPORT IN CONNECTION WITH THE LEASEHOLD INTEREST VALUATION OF A PROPERTY

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the leasehold interest valuation of a property as at 27 April 2007.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Kung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

29 February 2008

The Directors
China Solar Energy Holdings Limited
21/F, No. 3 Lockhart Road
Wan Chai
Hong Kong

Dear Sirs,

Re: Leasehold interest of a property located at Lot 7, Block 105, 200 Ludlow Drive, Ewing, New Jersey, United States of America

In accordance with the instructions from China Solar Energy Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries and associated companies (hereinafter together referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the captioned leasehold interest as at 27 April 2007 (hereinafter referred to as the "Date of Valuation") for public documentation purposes.

Our valuation of the leasehold interest is our opinion of its **Market Value** which we would define as intended to mean "an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation is prepared in accordance with the "First Edition 2005 of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

No account has been taken of any option or right of pre-emption concerning or affecting sales of the property and no forced sale situation in any manner is assumed in our valuation. We have been provided by the Group the title search documents of the property. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us by the Group and are only approximations.

We have inspected the exterior and, where possible, the interior of the property. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or other defects. No tests were carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy and floor areas and all other relevant matters in the identification of the property in which the Group has valid interest.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We are also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have attributed no commercial value to the leasehold interest of the property which are leased by the Group due either to prohibition against assignment or sub-letting without the prior written consent of the owner or otherwise lack of substantial profit rents.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We hereby confirm that we have neither present nor prospective interests in the Group or the value reported herein.

Unless otherwise stated, all sums stated in our valuation certificate are in United States Dollars.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.)
Director
Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor who has more than 17 years' experience in valuation of various types of property.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 27 April 2007
Lot 7, Block 105, 200 Ludlow Drive, Ewing, New Jersey, United States of America	The property comprises portion of a single-storey warehouse building complete in about 1999. The useable area of the property is approximately 464.51 sq.m. (5,000 sq.ft.). The property is freehold.	The property is subject to a Commercial Lease in favour of Terra Solar North America, Inc., for a period of 10 years from 1 March 2006 at progressive annual rental payment in the range from USD225,000 per annum to USD500,000 per annum in the tenth year.	No Commercial Value

Notes:

(i) As advised by the Group, the registered owner of the property is Ludlow Properties LLC.

(ii) We have attributed no commercial value to the leasehold interest of the property due either to prohibition against assignment or sub-letting without the prior written consent of the Landlord or otherwise lack of substantial profit rents.

(3) VALUATION REPORT IN CONNECTION WITH THE PLANT AND MACHINERY VALUATION FOR PRODUCTION FACILITIES RELATING TO PHOTOVOLTAIC PRODUCTS OPERATED BY THE COMPANY

The following is the text of a plant and machinery valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the plant and machinery valuation for production facilities relating to photovoltaic products operated by the Company as at 27 April 2007.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Kung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

29 February 2008

The Directors
China Solar Energy Holdings Limited
21/F, No. 3 Lockhart Road
Wan Chai
Hong Kong

Dear Sirs,

Re: Plant & Machinery valuation for production facilities relating to photovoltaic products and located at Lot 7, Block 105, 200 Ludlow Drive, Ewing, New Jersey, United States of America

We refer to the instructions from China Solar Energy Holdings Limited (hereinafter referred to as the "Company") to value the plant & machinery currently operated by Terra Solar Global, Inc. and Terra Solar North America, Inc. (two overseas subsidiaries of the Company) located at Lot No. 7, Block 105, 200 Ludlow Drive, Ewing, New Jersey, United States of America (hereinafter referred to as the "USA"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market value of the plant & machinery and structures (hereinafter together referred to as the "Fixed Assets") as at 27 April 2007 (hereinafter referred to as the "Date of Valuation") for public documentation purposes.

1.0 Company Background

China Solar Energy Holdings Limited is a thin film solar photovoltaic technology provider, which supplies amorphous silicon (a-Si) thin film turnkey production lines and a-Si thin film modules. It has a fully automated production line of "Vetrogrid", a new generation of thin film a-Si module for Building Integrated Photovoltaic (BIPV) systems.

2.0 Asset-appraised

The Fixed Assets comprises of the manufacturing facilities of the Company which consists of plant and machinery utilized in the production of photovoltaic products.

The Fixed Assets mainly including one (1) 2.5MW Amorphous Silicon (a-Si) Manufacturing Line for produce a-Si solar module, one (1) Copper Indium Gallium Diselenide (CIGS) System, office equipment, machine tools and etc..

The (a-Si) Manufacturing Line mainly includes the following items:

1. Glass Powered Cutting Machine, Twin heads
   Manufacturer: Billco

2. Double Wet Belt Seamer, Size: 4" x 106"
   Manufacturer: Pristik Industries

3. Flat Glass Washing and Drying Machine
   Manufacturer: Billco

4. Hole Driller
   Manufacturer: EPV

5. Tin Oxide Patterning System, (1) 1064nm Q-switched
   Manufacturer: Spectra-Physics

6. Si Deposition System, (1) high vacuum deposition chamber
   Manufacturer: Kraft, Edwards and EPV

7. Si Patterning System, (1) 532nm Q-switched
   Manufacturer: YAG, Spectra-Physics, and EPV

8. In-Line Sputtering System, (5) high deposition chambers
   Manufacturer: Kraft, Edwards and EPV

9. AI Patterning System, (1)532nm Q-switched
   Manufacturer: YAG and EPV

10. Plate and Module IV Tester (2 pieces), 9 sq.m. Test area
    Manufacturer: EPV

In the course of our valuation, the Fixed Assets were observed in generally good working conditions.

This valuation is excluded land, buildings, leasehold improvement, motor vehicles, spare parts, inventories, supplies, material on hand, company record or any current and intangible assets.

We had been arranged by the Company to conduct our inspection on the Fixed Assets and all quantities stated in this report were subject to the asset list provided by the Company.

The production facilities of the Fixed Assets is located at Lot 7, Block 105, 200 Ludlow Drive, Ewing, New Jersey, USA.

3.0 Basis of Valuation and Assumption

We have valued the Fixed Assets on the basis of its fair market value in continued existing use which is defined as the estimated amount at which the subject asset in its continued use might be expected to be purchased and sold between a willing buyer and a willing seller, neither being under compulsion, each having a reasonable knowledge of all relevant facts, with equity to both, and contemplating the retention of the assets in their present existing use as part of on-going business.

The opinion of fair market value in continued existing use is not necessarily intended to represent the amount that might be realised from piecemeal disposition of the Fixed Assets or from some other alternate use.

In forming our opinion of the fair market value in continued existing use, we have assumed that the Fixed Assets will continue in its present existing use in the business of the Company and subject to adequate potential profitability of the business.

We have further assumed that the Fixed Assets will be used in its present existing state with the benefit of continuity of the tenure of land and buildings during the foreseeable future.

4.0 Valuation Methodology

In arriving at our opinion of value, we have considered the two generally accepted approaches to value, namely:

(1) Cost Approach – considers the cost to reproduce or replace in new condition the assets appraised in accordance with the current market prices for similar assets, with allowance for accrued depreciation arising from conditions, utility,

age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

This approach generally furnishes the most reliable indication of value of assets without a known used market comparable.

(2) Market Approach – considers prices recently paid for similar assets with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is established used market comparable may be appraised by this approach.

5.0 Scope of Investigation and Assumptions

Before arriving at our opinion of value, we have conducted an inspection of the Fixed Assets, investigated market conditions and interviewed personnel to establish condition, utility and history of the Fixed Assets.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility or other observable conditions distinguishing the appraised Fixed Assets from machinery of like kind in new condition were noted and made as a part of our judgment in arriving at the value.

We have relied to a considerable extent on information such as records, listings and specifications provided to us by the Company. We have not investigated the title to or liabilities affecting the Fixed Assets appraised. In the course of valuation, we have not taken into account any tax liability. As confirmed by the Company, no tax liability will arise if the Fixed Assets is to be sold at the amount of valuation as at the date of valuation.

We have not made any deduction in respect of any grant either available or received, neither has any adjustment been made for any outstanding amounts owing under financing agreements.

Our valuation is concerned solely with the value of the subject machinery and equipment and our opinion of value is not related to or dependent upon the earning capacity of the business.

This report has been made in conformity with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

6.0 Remarks

Unless otherwise stated, all monetary amounts stated in this appraisal report are in United States Dollars.

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

7.0 Opinion of Value

Based on the foregoing, we are of the opinion that the fair market value of the Fixed Assets in continued use as part of an on-going business as at 27 April 2007 were fairly represented in the amount of **USD1,560,000 (United States Dollars One Million Five Hundred and Sixty Thousand Only)**.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Henry T. S. Chan HKIPMV
Director

Note: Mr. Henry T. S. Chan is a member of Hong Kong Institute of Plant and Machinery Valuers who has more than 10 years of experience in valuation of various types of plant and machinery.

The following is the text of the accountants' report from Grant Thornton for each of the three years ended 31 March 2007, 31 March 2006 and 31 March 2005 and for six months ended 30 September 2007 and 30 September 2006, prepared for the purpose of incorporation in this circular.

Grant Thornton
均富

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29 February 2008

The Directors
China Solar Energy Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information ("Financial Information") of China Solar Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") including the consolidated balance sheets of the Group as at 31 March 2005, 2006 and 2007 and 30 September 2007, consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity for the years ended 31 March 2005, 2006 and 2007 and six months ended 30 September 2007 (the "Relevant Periods") and notes thereto, together with the unaudited consolidated financial information of the Group including the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30 September 2006 (the "30 September 2006 Corresponding Information"), prepared for inclusion in the circular of the Company dated 29 February 2008 (the "Circular") in connection with the proposed disposal of its production facilities and transfer of its rights and obligations in a project relating to photovoltaic manufacturing business in the United States.

The Company was incorporated in Bermuda with limited liability on 27 July 1989. The Company's registered office is at Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal place of business is 21/F, 3 Lockhart Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held by the Company Directly	Indirectly	Principal activities and place of operation
REXCAPITAL Group Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Golden Chino Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Participation in primary and secondary securities market in Hong Kong
Eaglefly Technology Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Add Result Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
China Solar Energy Group Limited	Hong Kong	1 ordinary share of HK$1	100%	–	Provision for management services in Hong Kong
China Solar Energy Development Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Inactive
REXCAPITAL (Hong Kong) Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	–	100%	Provision of investment advisory services in Hong Kong
REXCAPITAL Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of management services in Hong Kong
D & M Finance Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Money lending in Hong Kong
REXCAPITAL Technology Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
REXCAPITAL Financial Services Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
REXCAPITAL Strategic Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held by the Company Directly	Indirectly	Principal activities and place of operation
REXCAPITAL Management Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
Capital View Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Provision of nominee services in Hong Kong
Twin Star Agents Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Holding nominees shares for the Group in Hong Kong
REXCAPITAL Secretarial Services Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of secretarial services in Hong Kong
Terra Solar Global, Inc.	United States of America	10,000 ordinary shares of US$0.01 each	–	59.74%	Investment holding in the United States
Terra Solar North America, Inc.	United States of America	200 ordinary shares, no par value	–	59.74%	Investment holding in the United States

All these companies have adopted 31 March as their financial year end date. The principal activities of the Group are mainly engaged in (i) provision of capital market advisory services; (ii) participation in primary and secondary securities market; (iii) money lending; and (iv) development, manufacturing, marketing and sale of photovoltaic solar cells, modules and panels for generating solar electric power and related training and consulting services ("photovoltaic business"). The Group decided to exit the manufacturing of the photovoltaic business in the United States of America.

The Financial Information as set out on pages 54 to 109 has been prepared based on the audited consolidated financial information of the Group for each of the Relevant Periods ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules").

We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Financial Information and Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which give a true and fair view. The directors of the Company are also responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005, 2006 and 2007 and 30 September 2007 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

For the purpose of this report, we have reviewed the 30 September 2006 Corresponding Information, which are prepared in accordance with accounting principles generally accepted in Hong Kong and for which the directors of the Company is responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 30 September 2006 Corresponding Information and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 September 2006 Corresponding Information.

For the purpose of this report and on the basis of our review of the 30 September 2006 Corresponding Information, which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 September 2006 Corresponding Information.

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March			Six months ended 30 September	
		2005	2006	2007	2007	2006
	Notes	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
						(unaudited)
Revenue	*5*	3,769	12,354	41,123	2,396	8,419
Other revenue	*7*	1,678	2,704	4,768	4,641	2,647
Cost of long-term service contracts		–	(6,479)	(27,566)	–	(6,658)
Staff costs	*8*	(6,130)	(13,186)	(21,780)	(6,932)	(12,484)
Consultancy expenses		–	(22,106)	(5,233)	(2,647)	(2,253)
Amortisation of goodwill	*17*	(2,712)	–	–	–	–
Impairment of goodwill	*17*	–	(47,890)	–	–	–
Depreciation of property, plant and equipment		(1)	(122)	(623)	(122)	(326)
Fair value gain on financial assets at fair value through profit or loss		(15,447)	4,880	36,997	28,476	6,162
Provision for impairment of receivables arising from						
– disposal of subsidiaries	*23(ii)*	(350,000)	–	–	–	–
– others		(1,476)	(19,107)	(4,425)	–	–
Loss on remeasurement of assets held for sales to fair value less costs to sell	*27*	–	–	(2,717)	–	–
Other operating expenses		(4,570)	(7,835)	(23,043)	(6,581)	(11,974)
(Loss)/Profit from operations	*9*	(374,889)	(96,787)	(2,499)	19,231	(16,467)
Finance costs	*10*	(908)	(536)	(450)	(16)	(410)
Non-operating income		1	–	–	–	–
(Loss)/Profit before income tax		(375,796)	(97,323)	(2,949)	19,215	(16,877)
Income tax expense	*11*	(517)	(118)	(431)	(564)	–
(Loss)/Profit for the year/period		(376,313)	(97,441)	(3,380)	18,651	(16,877)
Attributable to:						
Equity holders of the Company	*12*	(376,313)	(95,506)	(523)	20,017	(9,940)
Minority interests		–	(1,935)	(2,857)	(1,366)	(6,937)
		(376,313)	(97,441)	(3,380)	18,651	(16,877)
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company for the year/period	*14*	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Basic		(18.05)	(3.32)	(0.01)	0.49	(0.27)
Diluted		N/A	N/A	N/A	0.47	N/A

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 March 2005 HKD'000	2006 HKD'000	2007 HKD'000	As at 30 September 2007 HKD'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	16	3	12,106	905	770
Goodwill	17	47,890	140,575	140,575	157,788
Available-for-sale financial assets	19	–	–	7,750	7,750
		47,893	152,681	149,230	166,308
Current assets					
Inventories	20	–	519	–	–
Unbilled revenue from long-term service contracts	21	–	6,858	–	–
Financial assets at fair value through profit or loss	22	–	16,173	52,274	43,962
Trading securities	22	13,388	–	–	–
Trade and other receivables	23	35,954	22,770	111,408	172,042
Amount due from a shareholder	24	–	15,720	–	–
Amount due from a minority shareholder	24	–	3,908	420	–
Amounts due from related companies	24	–	–	657	1,261
Tax recoverable		674	674	674	–
Pledge bank fixed deposits	26	–	–	8,051	–
Cash and cash equivalents	26	7,841	147,419	52,183	79,307
		57,857	214,041	225,667	296,572
Assets held for sale	27	–	–	54,220	54,220
		57,857	214,041	279,887	350,792
Current liabilities					
Trade and others payables	28	3,151	29,800	25,260	47,772
Amount due to a related company	24	9,395	–	–	–
Amount due to a shareholder	24	–	–	15	–
Provision for taxation		517	635	1,066	1,066
Borrowings	29	6,752	3,832	700	–
		19,815	34,267	27,041	48,838
Liabilities associated with assets classified as held for sale	27	–	–	42,595	42,595
		19,815	34,267	69,636	91,433
Net current assets		38,042	179,774	210,251	259,359
Total assets less current liabilities/ Net assets		85,935	332,455	359,481	425,667
EQUITY					
Share capital	30	27,525	36,326	38,749	42,950
Reserves		58,410	281,408	308,868	374,460
Equity attributable to equity holders of the Company		85,935	317,734	347,617	417,410
Minority interests		–	14,721	11,864	8,257
Total equity		85,935	332,455	359,481	425,667

BALANCE SHEETS

	Notes	As at 31 March 2005 HKD'000	2006 HKD'000	2007 HKD'000	As at 30 September 2007 HKD'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*16*	–	45	–	–
Investments in subsidiaries	*18*	1	157,910	157,910	157,910
		1	157,955	157,910	157,910
Current assets					
Deposits, prepayments and other receivables	*23*	4,701	48	64,105	65,651
Amount due from a shareholder	*24*	–	541	–	–
Amounts due from subsidiaries	*25*	119,697	128,593	183,201	261,780
Cash and cash equivalents	*26*	7,741	145,831	29,613	12,281
		132,139	275,013	276,919	339,712
Current liabilities					
Other payables and accrued charges	*28*	2,851	24,926	2,313	16,078
Amount due to a related company	*24*	9,395	–	–	–
Amounts due to subsidiaries	*25*	26,059	22,740	28,532	28,532
Amount due to a shareholder	*24*	–	–	15	–
		38,305	47,666	30,860	44,610
Net current assets		93,834	227,347	246,059	295,102
Total assets less current liabilities/ Net assets		93,835	385,302	403,969	453,012
EQUITY					
Share capital	*30*	27,525	36,326	38,749	42,950
Reserves	*32*	66,310	348,976	365,220	410,062
Total equity		93,835	385,302	403,969	453,012

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium**	Share option reserve**	Contri-buted surplus**	Warrant reserve**	Accumu-lated losses**	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	17,094	432,125	–	596,248	–	(625,184)	420,283	–	420,283
Loss for the year/Total recognised income and expense for the year	–	–	–	–	–	(376,313)	(376,313)	–	(376,313)
Shares issued on placement *(note 30(a))*	3,400	10,200	–	–	–	–	13,600	–	13,600
Expenses for placement of shares *(note 30(a))*	–	(464)	–	–	–	–	(464)	–	(464)
Shares issued on conversion of convertible notes *(note 30(e))*	6,176	18,824	–	–	–	–	25,000	–	25,000
Exercise of share options *(note 30(c))*	855	2,974	–	–	–	–	3,829	–	3,829
At 31 March 2005 and 1 April 2005	**27,525**	**463,659**	**–**	**596,248**	**–**	**(1,001,497)**	**85,935**	**–**	**85,935**
Loss for the year/Total recognised income and expense for the year	–	–	–	–	–	(95,506)	(95,506)	(1,935)	(97,441)
Share based compensation *(note 31)*	–	–	24,186	–	–	–	24,186	–	24,186
Acquisition of subsidiaries	–	–	–	–	–	–	–	16,656	16,656
Shares issued on placing and subscription *(note 30(a))*	2,568	148,915	–	–	–	–	151,483	–	151,483
Share issue expenses *(note 30(a))*	–	(9,779)	–	–	–	–	(9,779)	–	(9,779)
Shares issued on acquisition of subsidiaries *(note 30(b))*	6,000	127,800	–	–	–	–	133,800	–	133,800
Exercise of share options *(note 30(c))*	185	4,503	(1,617)	–	–	–	3,071	–	3,071
Issue of warrants *(note 30(d))*	–	–	–	–	23,981	–	23,981	–	23,981
Exercise of warrants *(note 30(d))*	48	726	–	–	(211)	–	563	–	563

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company								
	Share capital	Share premium**	Share option reserve**	Contri-buted surplus**	Warrant reserve**	Accumu-lated losses**	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2006 and 1 April 2006	**36,326**	**735,824**	**22,569**	**596,248**	**23,770**	**(1,097,003)**	**317,734**	**14,721**	**332,455**
Loss for the year/Total recognised income and expense for the year	–	–	–	–	–	(523)	(523)	(2,857)	(3,380)
Exercise of warrants *(note 30(d))*	1,694	25,350	–	–	(7,388)	–	19,656	–	19,656
Exercise of share options *(note 30(c))*	729	13,906	(4,352)	–	–	–	10,283	–	10,283
Share based compensation	–	–	467	–	–	–	467	–	467
At 31 March 2007 and 1 April 2007	**38,749**	**775,080**	**18,684**	**596,248**	**16,382**	**(1,097,526)**	**347,617**	**11,864**	**359,481**
Profit for the period/Total recognised income and expense for the period	–	–	–	–	–	20,017	20,017	(1,366)	18,651
Acquisition of additional interests in a subsidiary	–	–	79	–	–	–	79	(2,241)	(2,162)
Exercise of warrants *(note 30(d))*	3,757	56,206	–	–	(16,382)	–	43,581	–	43,581
Exercise of share options *(note 30(c))*	444	8,144	(2,472)	–	–	–	6,116	–	6,116
At 30 September 2007	42,950	839,430	16,291	596,248	–	(1,077,509)	417,410	8,257	425,667

** The total of these balances represents reserves in the consolidated balance sheets.

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Year ended 31 March 2005 HKD'000	2006 HKD'000	2007 HKD'000	Six months ended 30 September 2007 HKD'000	2006 HKD'000 (unaudited)
Cash flows from operating activities						
(Loss)/Profit before income tax		(375,796)	(97,323)	(2,949)	19,215	(16,877)
Adjustments for:						
Interest expenses		908	536	450	16	410
Interest income		(1)	(60)	(2,060)	(879)	(965)
Dividend income		–	–	(9)	–	–
Depreciation of property, plant and equipment		1	122	623	122	326
Loss on disposal of property, plant and equipment		–	66	178	91	–
Amortisation of goodwill		2,712	–	–	–	–
Impairment of goodwill		–	47,890	–	–	–
Share-based payment		–	24,186	467	–	–
Provision for impairment of receivables		351,476	19,107	4,425	–	–
Unrealised loss on trading securities at fair value/(Fair value gain on financial assets at fair value through profit or loss)		15,447	(4,880)	(36,997)	(28,746)	(6,162)
Loss on remeasurement of assets held for sales to fair value less costs to sell		–	–	2,717	–	–
Operating loss before working capital changes		(5,253)	(10,356)	(33,155)	(10,181)	(23,268)
Increase in inventories		–	–	(239)	–	(371)
(Increase)/Decrease in unbilled revenue from long-term service contracts		–	(2,014)	18,140	–	562
Decrease in financial assets at fair value through profit or loss/ trading securities		10,763	2,095	905	37,058	–
Decrease/(Increase) in trade and other receivables		3,183	(10,283)	(135,909)	(61,434)	(23,644)
Decrease in amount due from a shareholder		–	8,371	15,720	–	–
(Decrease)/Increase in amount due from a minority shareholder		–	(960)	3,488	420	3,034
Increase in amounts due from related companies		–	–	(657)	(604)	–
(Decrease)/Increase in trade and other payables		(4,201)	18,742	26,773	3,937	(10,939)
Decrease in amount due to a related company		–	(9,395)	–	–	–
Increase/(Decrease) in amount due to a shareholder		–	–	15	(15)	(4,689)
Cash generated from/(used in) operations		4,492	(3,800)	(104,919)	(30,819)	(59,315)
Interest received		1	60	2,060	879	965
Income tax refund		–	–	–	110	–
Net cash generated from/(used in) operating activities		4,493	(3,740)	(102,859)	(29,830)	(58,350)

CONSOLIDATED CASH FLOW STATEMENTS (Continued)

		Year ended 31 March			Six months ended 30 September	
		2005	2006	2007	2007	2006
	Notes	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Cash flows from investing activities						
Acquisition of subsidiaries	*34*	–	(27,025)	–	–	–
Payments to acquire property, plant and equipment		–	(1,807)	(2,965)	(78)	(2,760)
Proceeds from disposal of property, plant and equipment		–	–	32	–	–
Purchase of available-for-sale financial assets		–	–	(7,750)	–	–
(Increase)/Decrease in pledged fixed deposits		–	–	(8,051)	8,051	–
Net cash (used in)/generated from investing activities		–	(28,832)	(18,734)	7,973	(2,760)
Cash flows from financing activities						
Interest paid		(507)	(536)	(450)	(16)	(410)
Proceeds from borrowings		6,568	–	700	–	–
Repayments of borrowings		(9,955)	(2,920)	(3,832)	(700)	(1,565)
Repayment of convertible notes		(10,940)	–	–	–	–
Proceeds from issue of shares, net of expense		13,136	147,991	–	–	–
Proceeds from issue of warrants		–	23,981	–	–	–
Proceeds from exercise of warrants		–	563	19,656	43,581	10,294
Proceeds from exercise of share options		3,829	3,071	10,283	6,116	6,061
Net cash generated from financing activities		2,131	172,150	26,357	48,981	14,380
Net increase/(decrease) in cash and cash equivalents		6,624	139,578	(95,236)	27,124	(46,730)
Cash and cash equivalents at beginning of financial year/period		1,217	7,841	147,419	52,183	147,419
Cash and cash equivalents at end of financial year/period		7,841	147,419	52,183	79,307	100,689

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information and the 30 September 2006 Corresponding Information set out in this report have been prepared in accordance with all applicable HKFRSs, which included all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and have been consistently applied throughout the Relevant Periods.

The Financial Information and the 30 September 2006 Corresponding Information also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Financial Information.

HK(IFRIC) Interpretation 12	Service Concession Arrangements[1]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes[2]
HK(IFRIC) Interpretation 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[1]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKFRS 8	Operating Segments[3]

1 Effective for annual periods beginning on or after 1 January 2008
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of this Financial Information are summarised below.

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated Financial Information incorporate the Financial Information of the Company and its subsidiaries made up to the respective balance sheet dates of the Relevant Periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

lntra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

The Financial Information is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation (Continued)

In the Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisitions of foreign operations on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.5 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(i) Fees from financial advisory services including investment advisory fee, referral fee and placement fee are recognised when the relevant services are rendered.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Revenue from long-term service contracts in respect of photovoltaic business is recognised according to the percentage of completion of individual contract at the balance sheet date (see note 3.14 below for details).

(iv) Income from secondment services is recognised when the relevant services are rendered.

(v) Dividend income is recognised when the right to receive payment is established.

3.6 Borrowing costs

All borrowing costs are expensed as incurred.

3.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary and acquisition of minority interests in a subsidiary.

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition of minority interests in a subsidiary represents the excess of the consideration paid for the additional interests over the carrying value of the additional net assets acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or losses on disposal.

3.8 Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following requirements:

(i) demonstration of technical feasibility of the prospective project;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributed to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. All other development costs are expensed as incurred.

3.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, as follows:

Furniture, fixtures and equipment	4 to 10 years
Plant and machinery	5 to 10 years
Leasehold improvements	3 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment, and interests in subsidiaries are subject to impairment testing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets (Continued)

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.12 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets, other than financial assets, classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

3.13 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.14 Long-term service contracts

Revenue from service contracts is determined using the percentage of completion of individual contract. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is valued at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual contract is recognised immediately as an expense in the income statement.

Unbilled revenue from long-term service contracts represents costs incurred for contracts plus attributable profits in excess of progress billings to the relevant customers and is included under current assets. Amounts billed for works performed but not yet paid by the customers are included in the balance sheet under trade and other receivables.

3.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.18 Equity

Ordinary shares are classified as equity. Share capital is determined using the nominal value shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental cost directly attributable to the equity transaction.

Warrant reserve represents the issue price of the warrants that have been issued, net of amount utilised for exercise of warrants.

3.19 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Retirement benefit costs and short term employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.20 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 April 2005 are recognised in the Financial Information. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.21 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, amount due to a shareholder and amount due to a related company.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

3.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation legal or constructive as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.23 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.24 Segments reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Segments reporting (Continued)

In respect of business segment reporting, unallocated costs mainly represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, inventories, unbilled revenue from long-term service contracts, financial assets at fair value through profit or loss, receivables and operating cash. Segment liabilities comprise trade and other payables and borrowings. Unallocated assets and liabilities mainly comprise corporate assets and liabilities which include non-operating cash and borrowings.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisition of subsidiaries.

In respect of geographical segment reporting, revenue are based on the country in which the customer is located, while assets and capital expenditure are attributed to segments based on the location of the assets.

3.25 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Long-term service contracts

Revenue from long-term service contracts is recognised according to the percentage of completion of individual contract. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in the income statement immediately. The percentage of completion and foreseeable loss of individual contract are determined based on budget of the contract which is prepared by the management of the Group based on the overall estimated performance of the contract. In order to keep the budget accurate and up-to-date, management reviews the budget frequently, in particular the total estimated contract costs, and revise the budget if necessary.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Impairment of receivables

Provision for impairment of receivables is determined by management based on the credit history of its customers, availability of securities and/or undertakings and the current market condition. It could change significantly as a result of changes in the financial position of the customers. Management would re-assess the amount of impairment provision of receivables, if any, at each balance sheet date.

4.3 Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the asset or the cash-generating unit and the suitable discount rate in order to calculate the present value.

5. REVENUE

Revenue, which is also the Group's turnover, represents value of services rendered and interest income earned from money lending.

An analysis of revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2006**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Financial advisory services	715	813	2,235	939	1,204
Interest income	3,054	3,816	564	1,457	–
Long-term service contracts	–	7,725	38,324	–	7,215
	3,769	12,354	41,123	2,396	8,419

6. SEGMENT REPORTING

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format, with each segment organised and managed separately.

(a) Business segments

The Group is organised into three main business segments:

Strategic investments and capital market activities	–	Participation in primary and secondary securities market and provision of capital market advisory services
Financing	–	Provision of commercial and personal loans
Photovoltaic business	–	Development, manufacturing, marketing and sales of solar cells, modules and panels for generating solar electric power and related training and consulting services

There are no significant sales or other transactions between the business segments.

6. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

	Strategic investments and capital market activities					Financing					Photovoltaic business					Unallocated					Consolidated				
	Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Revenue from external customers	715	813	2,235	939	1,204	3,054	3,816	564	1,457	–	–	7,725	38,324	–	7,215	–	–	–	–	–	3,769	12,354	41,123	2,396	8,419
Segment result	(23,148)	(46,845)	34,049	18,761	5,246	3,066	(10,677)	(4,350)	3,944	(12)	–	(3,888)	(26,571)	(2,851)	(14,047)	–	–	–	–	–	(20,082)	(61,410)	3,128	19,854	(8,813)
Unallocated operating expenses, net																					(354,807)	(35,377)	(5,627)	(623)	(7,654)
(Loss)/Profit from operations																					(374,889)	(96,787)	(2,499)	19,231	(16,467)
Finance costs																					(908)	(536)	(450)	(16)	(410)
Non-operating income																					1	–	–	–	–
Loss/(Profit) before income tax																					(375,796)	(97,323)	(2,949)	19,215	(16,877)
Income tax expense																					(517)	(118)	(431)	(564)	–
Loss/(Profit) for the year/period																					(376,313)	(97,441)	(3,380)	18,651	(16,877)
Total assets	66,885	16,404	38,501	40,479	24,564	31,023	20,902	25,444	44,640	15,801	–	181,218	260,126	262,917	188,494	7,842	148,198	93,764	169,064	124,837	105,750	366,722	417,835	517,100	353,696
Total liabilities	(6,780)	(4,876)	(764)	(1,503)	(3,271)	(532)	(15)	(1,964)	(964)	(533)	–	(2,298)	(52,552)	(72,584)	(16,695)	(12,503)	(27,078)	(3,074)	(16,382)	(1,264)	(19,815)	(34,267)	(58,354)	(91,433)	(21,763)
Depreciation	–	–	–	106	–	–	–	–	–	–	–	110	622	–	326	1	12	1	16	–	1	122	623	122	326
Amortisation of goodwill	2,712	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,712	–	–	–	–
Capital expenditure	–	106	–	45	–	–	–	–	–	–	–	12,185	2,965	–	218	–	–	–	–	–	–	12,291	2,965	45	218
Provision for impairment of receivables	1,476	–	–	–	–	–	14,435	4,425	–	–	–	–	–	–	–	350,000	4,672	–	–	–	351,476	19,107	4,425	–	–
Impairment of goodwill	–	47,890	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	47,890	–	–	–
(Unrealised loss on trading securities at fair value)/ Fair value gain on financial assets at fair value through profit or loss	(15,447)	4,880	36,060	28,476	6,162	–	–	–	–	–	–	–	937	–	–	–	–	–	–	–	(15,447)	4,880	36,997	28,476	6,162

6. **SEGMENT REPORTING** *(Continued)*

(b) Geographical segments

The Group participates principally in China and the United States

	Hong Kong					Other areas of China					United States					Consolidated				
	Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September		Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006	2005	2006	2007	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Revenue from external customers	3,769	4,629	2,799	2,396	1,204	–	7,725	38,324	–	–	–	–	–	–	7,215	3,769	12,354	41,123	2,396	8,419
Segment assets	104,362	185,504	223,308	378,944	246,073	1,388	–	–	–	–	–	181,218	194,527	138,156	107,623	105,750	366,722	417,835	517,100	353,696
Capital expenditure	–	106	–	45	218	–	–	–	–	–	–	12,185	2,965	–	–	–	12,291	2,965	45	218

7. OTHER REVENUE

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Secondment services	1,613	2,628	2,579	921	1,679
Interest income	1	60	2,060	879	965
Dividend income	–	–	9	–	–
Net exchange gain	–	–	35	168	–
Reversal of impairment of receivables *(note 23(i))*	–	–	–	2,500	–
Others	64	16	85	173	3
	1,678	2,704	4,768	4,641	2,647

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Salaries, allowances and benefits	6,015	9,345	21,108	6,829	12,366
Share-based compensation	–	3,697	467	–	–
Pension costs-defined contribution plans	115	144	205	103	118
	6,130	13,186	21,780	6,932	12,484

9. (LOSS)/PROFIT FROM OPERATIONS

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
(Loss)/Profit from operations is arrived at after charging/(crediting):					
Auditors' remuneration					
– provision for the year/period	390	680	1,238	665	438
– over provision in prior year/period	(108)	(36)	–	–	–
Loss on disposal of property, plant and equipment	–	66	178	91	–
Operating lease changes in respect of land and buildings	306	1,208	4,867	778	3,294
Research and development expenses	–	969	1,236	–	–

10. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Interest charges on borrowing wholly repayable with five years	908	536	450	16	410

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for years ended 31 March 2005 and 2006.

No provision for profits tax has been made for the year ended 31 March 2007 and the six months ended 30 September 2007 (six months ended 30 September 2006: Nil (unaudited)) as companies comprising the Group either had tax losses brought forward which were available to set off against the assessable profit arising in Hong Kong or did not generate assessable profits.

No provision for income tax outside Hong Kong has been made for the Relevant Periods as the companies comprising the Group operated outside Hong Kong either sustained a loss for taxation purpose or had a tax exemption.

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Current tax — Hong Kong					
Current year	517	118	–	–	–
Under-provision in prior year	–	–	431	564	–
Income tax expense	517	118	431	564	–

Reconciliation between tax expense and accounting profit or loss at applicable tax rates is as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2007	2006
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
(Loss)/Profit before income tax	(375,796)	(97,323)	(2,949)	19,215	(16,877)
Tax effect on (loss)/profit before income tax calculated at rates applicable to profit or loss in the tax jurisdiction concerned	(65,764)	(17,998)	(2,073)	1,219	(3,108)
Tax effect of non-deductible expenses	66,919	15,222	6,185	1,877	1,818
Tax effect of non-taxable revenue	(1,011)	(1,057)	(6,892)	(5,353)	(1,246)
Tax losses utilised	(20)	–	(93)	(235)	(96)
Tax effect of current year's/period's tax losses not recognised	393	3,952	2,874	2,632	2,632
Other temporary differences not recognised	–	(1)	(1)	(140)	–
Under-provision in prior year	–	–	431	564	–
Income tax expense	517	118	431	564	–

11. INCOME TAX EXPENSE *(Continued)*

The Group has deferred tax assets of HK$3,684,000, HK$5,092,000, HK$7,873,000, respectively, for the years ended 31 March 2005, 2006 and 2007 and HK$11,062,000 (unaudited) and HK$6,790,000 for the six months ended 30 September 2006 and 2007 arising from estimated tax losses of approximately HK$21,051,000, HK$36,544,000, HK$30,568,000, respectively, as at 31 March 2005, 2006 and 2007 and HK$37,184,000 (unaudited) and HK$20,341,000 as at 30 September 2006 and 2007. The deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses.

The estimated tax losses incurred in Hong Kong amounting to HK$21,051,000, HK$32,733,000 and HK$20,614,000, respectively, for years ended 31 March 2005, 2006 and 2007 and HK$19,215,000 (unaudited) and HK$7,600,000 for the six months ended 30 September 2006 and 2007 can be carried forward indefinitely.

The estimated tax losses incurred in US amounting to HK$12,741,000 for the six months end 30 September 2007 (years ended 31 March 2006 and 2007: HK$3,811,000 and HK$9,954,000 respectively; six months ended 30 September 2006: HK$17,969,000 (unaudited)) will expire in the financial year 2007.

At the balance sheet dates of the Relevant Periods, the Group and the Company did not have any significant deferred tax liabilities.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of HK$20,017,000 for the six months ended 30 September 2007 (six months ended 30 September 2006: consolidated loss of HK$9,940,000 (unaudited)), a loss of HK$654,000 (six months ended 30 September 2006: a loss of HK$207,000 (unaudited)) has been dealt with in the financial statements of the Company.

Of the consolidated loss attributable to equity holders of the Company of HK$376,313,000, HK$95,506,000 and HK$523,000 for the years ended 31 March 2005, 2006 and 2007, respectively, a loss of HK$355,125,000, HK$35,701,000 and HK$11,272,000 has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors do not recommend the payment of a dividend for the Relevant Periods and the Company did not pay any interim dividend during the Relevant Periods.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the equity holders of the Company is based on the following data:

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2006**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
(Loss)/Profit					
(Loss)/Profit for the year/period attributable to the equity holders of the Company for the purpose of (loss)/basic earnings per share	(376,313)	(95,506)	(523)	20,017	(9,940)

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2006**
	('000)	*('000)*	*('000)*	*('000)*	*('000)*
					(unaudited)
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	2,085,407	2,873,962	3,762,374	4,082,214	3,724,308

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$20,017,000 and the diluted weighted average number of 4,252,610,000 ordinary shares during the six months ended 30 September 2007.

Diluted loss per share for the years ended 31 March 2005, 2006 and 2007 and for the six months ended 30 September 2006 was not presented because the impact of the exercise of the Company's outstanding share options and warrants was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 September 2007 does not take into account of the warrants placed on 8 November 2007 (note 42), which can potentially dilute basic earnings per share in future.

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

Details of the remuneration paid by the Group to the directors and the five highest paid individuals (including directors and employees) for the Relevant Periods are as follows:

(a) Directors' emoluments

Year ended 31 March 2005

	Fees	Salaries, allowance and benefit in kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Mr. Chan Wai Kwong, Peter	–	591	12	603
Mr. Chan How Chung, Victor	–	–	–	–
Mr. Lee Huei Lin	–	–	–	–
Mr. Chu Chik Ming, Jack	–	–	–	–
Mr. Pierre Seligman	–	–	–	–
Independent Non-Executive Directors				
Mr. Chow Siu Ngor	80	–	–	80
Mr. Tin Luen Huel, Stephen	40	–	–	40
Mr. Yin Tai Man	40	–	–	40
Mr. Chan Pei Cheong, Andy	40	–	–	40
	200	591	12	803

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 March 2005.

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 March 2006

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Share based compensation *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Chan Wai Kwong, Peter	–	603	12	87	702
Mr. Chan How Chung, Victor (Resigned on 24 January 2006)	–	–	–	–	–
Ms. Lee Huei Lin	–	–	–	236	236
Mr. Chu Chik Ming, Jack	–	55	–	87	142
Mr. Pierre Seligman	–	271	–	140	411
Non-Executive Director					
Dr. Zoltan J. Kiss (Appointed on 24 January 2006)	–	215	–	–	215
Independent Non-Executive Directors					
Mr. Chow Siu Ngor	80	–	–	–	80
Mr. Yin Tat Man	40	–	–	–	40
Mr. Chan Pei Cheong, Andy (Resigned on 27 October 2005)	6	–	–	–	6
Mr. Tam Kam Biu, William (Appointed on 24 January 2006)	40	–	–	–	40
	166	1,144	12	550	1,872

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 March 2006.

Year ended 31 March 2007

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Share based compensation *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Chan Wai Kwong, Peter	–	370	12	–	382
Ms. Lee Huei Lin (Resigned on 8 June 2006)	–	–	–	–	–
Mr. Chu Chik Ming, Jack	–	1,048	–	–	1,048
Mr. Pierre Seligman	–	780	12	–	792
Non-Executive Director					
Dr. Zoltan J. Kiss	–	844	–	–	844
Independent Non-Executive Directors					
Mr. Chow Siu Ngor	80	–	–	–	80
Mr. Yin Tat Man	80	–	–	–	80
Mr. Tam Kam Biu, William	240	–	–	–	240
	400	3,042	24	–	3,466

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 March 2007.

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Six months ended 30 September 2007

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Share based compensation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Chan Wai Kwong, Peter	–	240	6	–	246
Mr. Chu Chik Ming, Jack	–	605	–	–	605
Mr. Pierre Seligman	–	452	6	–	458
Mr. On Kien Quoc (Appointed on 10 September 2007)	–	80	–	–	80
Non-Executive Director					
Dr. Zoltan J. Kiss (Resigned on 27 August 2007)	–	52	–	–	52
Mr. Henry J. Behnke III (Appointed on 10 September 2007)	–	26	–	–	26
Independent Non-Executive Directors					
Mr. Chow Siu Ngor	40	–	–	–	40
Mr. Yin Tat Man	40	–	–	–	40
Mr. Tam Kam Biu, William	120	–	–	–	120
	200	1,455	12	–	1,667

Six months ended 30 September 2006 (Unaudited)

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Share based compensation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Chan Wai Kwong, Peter	–	179	12	–	191
Ms. Lee Huei Lin (Resigned on 8 June 2006)	–	–	–	–	–
Mr. Chu Chik Ming, Jack	–	524	–	–	524
Mr. Pierre Seligman	–	384	12	–	396
Non-Executive Director					
Dr. Zoltan J. Kiss	–	481	–	–	481
Independent Non-Executive Directors					
Mr. Chow Siu Ngor	40	–	–	–	40
Mr. Yin Tat Man	40	–	–	–	40
Mr. Tam Kam Biu, William	120	–	–	–	120
	200	1,568	24	–	1,792

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the Relevant Periods included one, one, two directors, respectively, for the years ended 31 March 2005, 2006 and 2007 and two and two directors for six months ended 2006 and 2007, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four, four, three individuals, respectively, during the years ended 31 March 2005, 2006 and 2007 and three and three individuals during the six months ended 2006 and 2007 respectively are as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2006**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)
Salaries, allowances and benefits in kind	1,507	2,892	2,804	1,900	1,436
Retirement benefit scheme contributions	39	23	–	24	–
Share based compensation	–	2,752	–	–	–
	1,546	5,667	2,804	1,924	1,436

The emoluments of the above four, four, three highest paid individuals, respectively, during the years ended 31 March 2005, 2006 and 2007 and three and three highest paid individuals for the six months ended 2006 and 2007 fell within the following emoluments bands:

	Number of individuals				
	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2006** (unaudited)
Nil — HK$1,000,000	3	2	3	3	3
HK$1,000,001 — HK$1,500,000	1	1	–	–	–
HK$2,001,001 — HK$2,500,000	–	1	–	–	–

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
At 1 April 2004				
Cost	734	–	–	734
Accumulated depreciation	(730)	–	–	(730)
Net book amount	4	–	–	4
Year ended 31 March 2005				
Opening net book amount	4	–	–	4
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation	(1)	–	–	(1)
Closing net book amount	3	–	–	3
At 31 March 2005				
Cost	734	–	–	734
Accumulated depreciation	(731)	–	–	(731)
Net book amount	3	–	–	3
Year ended 31 March 2006				
Opening net book amount	3	–	–	3
Acquisition of subsidiaries *(note 34)*	160	10,258	66	10,484
Additions	373	981	453	1,807
Disposals	–	–	(66)	(66)
Depreciation	(73)	(49)	–	(122)
Closing net book amount	463	11,190	453	12,106
At 31 March 2006				
Cost	1,267	11,239	453	12,959
Accumulated depreciation	(804)	(49)	–	(853)
Net book amount	463	11,190	453	12,106
Year ended 31 March 2007				
Opening net book amount	463	11,190	453	12,106
Additions	955	1,106	904	2,965
Disposals	(210)	–	–	(210)
Depreciation	(224)	(309)	(90)	(623)
Reclassified as assets held for sale *(note 27)*	(79)	(11,987)	(1,267)	(13,333)
Closing net book amount	905	–	–	905
At 31 March 2007				
Cost	1,848	–	–	1,848
Accumulated depreciation	(943)	–	–	(943)
Net book amount	905	–	–	905
Six months ended 30 September 2007				
Opening net book amount	905	–	–	905
Additions	78	–	–	78
Disposals	(91)	–	–	(91)
Depreciation	(122)	–	–	(122)
Closing net book amount	770	–	–	770
At 30 September 2007				
Cost	1,108	–	–	1,108
Accumulated depreciation	(338)	–	–	(338)
Net book amount	770	–	–	770

16. **PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

Company

	Furniture, fixtures and equipment *HK$'000*
At 1 April 2004	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 March 2005	
Opening net book amount	–
Additions	–
Depreciation	–
Closing net book amount	–
At 31 March 2005	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 March 2006	
Opening net book amount	–
Additions	53
Disposals	(8)
Closing net book amount	45
At 31 March 2006	
Cost	53
Accumulated depreciation	(8)
Net book amount	45
Year ended 31 March 2007	
Opening net book amount	45
Disposals	(45)
Closing net book amount	–
At 31 March 2007	
Cost	–
Accumulated depreciation	–
Net book amount	–
Six months ended 30 September 2007	
Opening net book amount	–
Closing net book amount	–
At 30 September 2007	
Cost	–
Accumulated depreciation	–
Net book amount	–

17. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	Group			
		As at 31 March		As at 30 September
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At beginning of the year/period				
Gross carrying amount	47,890	47,890	188,465	188,465
Accumulated impairment	–	–	(47,890)	(47,890)
Net carrying amount	47,890	47,890	140,575	140,575

		As at 31 March		As at 30 September
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Net carrying amount at beginning of the year/period	47,890	47,890	140,575	140,575
Acquisition of subsidiaries *(note 34)*	–	140,575	–	–
Acquisition of additional interests in a subsidiary *(note 35)*	–	–	–	17,213
Impairment losses *(note ii)*	–	(47,890)	–	–
Net carrying amount at end of the year/period	47,890	140,575	140,575	157,788

		As at 31 March		As at 30 September
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At end of the year/period				
Gross carrying amount	47,890	188,465	188,465	205,678
Accumulated impairment	–	(47,890)	(47,890)	(47,890)
Net carrying amount	47,890	140,575	140,575	157,788

Note:

(i) Prior to 1 April 2005, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life and was subject to impairment testing when there was indication of impairment. The adoption of HKFRS 3 during the year ended 31 March 2006 resulted in the Group ceasing goodwill amortisation and commencing impairment testing annually as well as when there is indication of impairment. As a result of this change in accounting policy, the carrying amount of related accumulated amortisation on or before 1 April 2005 was eliminated against the gross amount of goodwill.

(ii) Goodwill arising from the acquisition of a subsidiary engaging in provision of capital market advisory services was impaired during the year ended 31 March 2006. In view of increasing competition in the capital market and uncertain future prospect of the subsidiary, the directors have assessed that full provision is required in respect of the net carrying amount of the goodwill amounting to HK$47,890,000 as at 1 April 2005.

17. GOODWILL *(Continued)*

Note: (Continued)

(iii) The amount of goodwill as at 31 March 2006 and 2007 and 30 September 2007 is allocated to the business segment of photovoltaic business (the cash-generating unit or "CGU") and is tested for impairment by estimating the recoverable amount of the CGU based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by the management covering a period of 4 years. The discount rate applied to the cash flow projections is 20%. Based on the results of the impairment testing, management determines that there is no impairment of the goodwill attributable to that CGU.

18. INVESTMENTS IN SUBSIDIARIES

	Company			
		As at 31 March		As at 30 September
	2005	2006	2007	2007
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Unlisted shares, at cost	1	157,910	157,910	157,910

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			
		As at 31 March		As at 30 September
	2005	2006	2007	2007
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Unlisted equity securities, at cost	109,200	109,200	116,950	116,950
Less: Provision for impairment	(109,200)	(109,200)	(109,200)	(109,200)
	–	–	7,750	7,750

These assets are stated at cost less impairment as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

20. INVENTORIES

	Group			
		As at 31 March		As at 30 September
	2005	2006	2007	2007
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Finished goods, at cost	–	519	–	–

21. UNBILLED REVENUE FROM LONG-TERM SERVICE CONTRACTS

	Group			
				As at
	As at 31 March			30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Costs incurred to date plus recognised profits	–	6,858	–	–
Less: Progress billings	–	–	–	–
Less: Foreseeable losses	–	–	–	–
	–	6,858	–	–

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/TRADING SECURITIES

	Group			
				As at
	As at 31 March			30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong, at fair values	13,388	16,173	52,274	43,962
Represented by:				
Financial assets at fair value through profit or loss	–	16,173	52,274	43,962
Trading securities	13,388	–	–	–

The fair values of listed equity securities which are held for trading are based on quoted market prices.

At 31 March 2005, 2006 and 2007 and 30 September 2007, listed equity securities of HK$11,018,000, HK$16,173,000, HK$3,487,000 and nil respectively were pledged as security for other borrowings of HK$2,787,000, HK$2,802,000, HK$700,000 and nil respectively (note 29).

23. TRADE AND OTHER RECEIVABLES

	Group				Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2005	2006	2007	2007	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(note (i))*	31,187	36,397	44,615	44,782	–	–	–	–
Less: Provision for impairment *(note (i))*	–	(14,435)	(18,860)	–	–	–	–	–
	31,187	21,962	25,755	44,782	–	–	–	–
Deposits and prepayments	14	808	46,174	68,834	29	48	43,891	50,490
Other receivables *(note (ii), (iii) and (iv))*	354,753	354,672	394,151	63,098	4,672	4,672	24,886	19,833
Less: Provision for impairment *(note (ii))*	(350,000)	(354,672)	(354,672)	(4,672)	–	(4,672)	(4,672)	(4,672)
	35,954	22,770	111,408	172,042	4,701	48	64,105	65,651

Notes:

(i) As at 30 September 2007, included in trade receivables of the Group are loan receivables amounted to HK$44,634,000 (31 March 2005, 2006 and 2007: HK$31,020,000, HK$35,335,000 and HK$44,294,000 respectively) arising from the money lending business. The loan receivables are unsecured, interest-bearing at prime rate plus 3 to 5% per annum and with repayment period of 1 month to 12 months from the date of drawdown. In respect of the remaining balance of HK$148,000 (31 March 2005, 2006 and 2007: HK$167,000, HK$1,062,000 and HK$321,000 respectively), billings are normally due on presentation. The ageing analysis of the gross trade receivable balance at the balance sheet dates of the Relevant Periods, based on loan drawdown date or invoice date, is as follows:

	Group			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	1,005	969	25,655	148
4 to 6 months	444	1,486	100	44,634
7 to 12 months	29,738	20,900	–	–
Over 12 months	–	13,042	18,860	–
	31,187	36,397	44,615	44,782

Based on the assessment of the recoverability of the receivables, the directors of the Company are of the view that as at 30 September 2007, none (31 March 2005, 2006 and 2007: Nil, HK$14,435,000 and HK$18,860,000 respectively) of the trade receivables was impaired.

During the six months ended 30 September 2007, the Group has recognised a reversal of impairment of trade receivables of HK$2,500,000 due to repayments from loan holders.

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) At 31 March 2005, 2006 and 2007, included in other receivables of the Group is a balance of HK$350,000,000 representing the unsettled cash consideration from the disposal of the Group's interest comprising 875 fully paid ordinary shares in REXCAPITAL Infrastructure Limited. Pursuant to the sale and purchase agreement dated 29 October 2003, the consideration for the disposal of the Group's interest in REXCAPITAL Infrastructure Limited amounted to HK$350,000,000. None of the cash consideration of HK$350,000,000 was settled and there has not been any subsequent settlement up to the date of approval of the financial statements for the year ended 31 March 2007. A full provision had been made during the year ended 31 December 2005. During the six months ended 30 September 2007, the HK$350,000,000 was written off against the provision.

Also, as at 31 March 2006 and 2007 and 30 September 2007, included in other receivables of the Company and the Group is a balance of HK$4,672,000 representing deposit paid for exploring potential investment projects. During the year ended 31 March 2006, such amount was impaired because of cessation of the exploration.

(iii) As at 30 September 2007 and 31 March 2007, included in other receivables of the Company and the Group is a balance of HK$19,833,000 represents amount due from a shareholder, which is interest-free and unsecured and repayable on demand.

(iv) Included in other receivables as at 30 September 2007 was HK$31,457,000 related to a balance held by a company, in which a director has interest, on behalf of the Group. The amount is interest-free, unsecured and repayable on demand.

(v) The carrying amounts of trade and other receivables of the Group and the Company approximate their fair values at the balance sheet dates.

24. AMOUNTS DUE FROM/ (TO) A SHAREHOLDER/ A MINORITY SHAREHOLDER/RELATED COMPANIES

The amounts due are unsecured, interest-free and repayable on demand. Included was a balance due from a related company. TS Hungary in which Dr. Zoltan J. Kiss, a director of the Company during the Relevant Periods, has beneficial interests. Such balances were HK$657,000 and HK$912,000 as at 31 March 2007 and 30 September 2007 respectively. The remaining related company balance of HK$349,000 as at 30 September 2007 was with a company of which details as set out in note 23 (iv) above. The carrying amounts of the balances approximate their fair values at the balance sheet dates.

25. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from subsidiaries	1,032,879	1,041,777	1,096,385	1,174,964
Less: Provision for impairment	(913,182)	(913,184)	(913,184)	(913,184)
	119,697	128,593	183,201	261,780
Amounts due to subsidiaries	26,059	22,740	28,532	28,532

The amounts due are unsecured, interest-free and repayable on demand. In the opinion of the directors, the balances are repayable within 12 months from the balance sheet dates. The carrying amounts of the balances approximate their fair values at the balance sheet dates.

26. CASH AND CASH EQUIVALENTS/ PLEDGED BANK FIXED DEPOSITS

	Group				Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2005	2006	2007	2007	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cast at bank and in hand	7,841	147,419	60,234	79,307	7,741	145,831	29,613	12,281
Less: Pledged bank fixed deposits	–	–	(8,051)	–	–	–	–	–
Cash and cash equivalents	7,841	147,419	52,183	79,307	7,741	145,831	29,613	12,281

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposits rates of 3.9% to 5.8% per annum during the Relevant Periods. The carrying amounts of the cash and cash equivalents and the pledged deposits approximates to their fair values.

As at 31 March 2007, the Group's bank fixed deposits of HK$8,051,000 were pledged to a bank for granting a letter of guarantee of performance bond to Weihai Bluestar Terra Photovoltaic Company Limited, in which the Group has 13% of equity interests (included in available-for-sale financial assets) for the amount of US$900,000.

27. ASSETS HELD FOR SALE

During the year ended 31 March 2007, the directors of two subsidiaries, Terra Solar Global, Inc and Terra Solar North America, Inc, resolved to exit the manufacturing facilities and operations of photovoltaic business in the United States. On 27 April 2007, the subsidiaries entered into an agreement with Solar Co. NJ, in which an immediate family member of a director of the Company has beneficial interests, to transfer its rights and obligations related to these operations. The relevant assets and liabilities relating to such operations have been classified as assets held for sale and liabilities associated with assets held for sale.

The directors of the Company have re-assessed the fair value of the relevant assets and liabilities with reference to the sale and purchase agreement entered on 27 April 2007. The net consideration would be approximately HK$11,625,000 (US$1,500,000).

At 31 March 2007, the carrying amount of net assets upon being classified as held for sale attributable to the Group amounted to approximately HK$14,342,000 resulting in a loss on remeasurement to fair value less costs to sell amounted to approximately HK$2,717,000.

At 30 September 2007, the directors of the Company considered the fair value of net assets classified held for sale attributable to the Group amounted to approximately HK$11,625,000.

27. ASSETS HELD FOR SALE (Continued)

	Group		
	As at 31 March 2007	**As at 30 September 2007**	
	Fair value	**Fair value**	**Carrying amount upon being classified as held for sale**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Property, plant and equipment *(note 16)*	10,616	10,616	13,333
Inventories	758	758	758
Trade receivables *(note (a))*	37,627	37,627	37,627
Other receivables	5,219	5,219	5,219
Assets classified as held for sale	54,220	54,220	
Liabilities			
Trade payables *(note (b))*	(35,600)	(35,600)	(35,600)
Other payables	(6,995)	(6,995)	(6,995)
Liabilities associated with assets classified as held for sale	(42,595)	(42,595)	
Fair value of net assets classified as held for sale	11,625	11,625	
			14,342
Less: loss on remeasurement recognised in profit or loss for the year ended 31 March 2007			(2,717)
			11,625

(a) An ageing analysis of trade receivables at 31 March 2007 and 30 September 2007, based on invoice date, is as follows:

	As at 31 March 2007	**As at 30 September 2007**
	HK$'000	*HK$'000*
Current – 90 days	36,567	–
91 days to 180 days	679	–
Over 181 days	381	37,627
	37,627	37,627

(b) An ageing analysis of trade payables 31 March 2007 and 30 September 2007, based on invoice date, is as follows:

	As at 31 March 2007	**As at 30 September 2007**
	HK$'000	*HK$'000*
Current – 90 days	31,093	–
91 days to 180 days	2,747	–
Over 181 days	1,760	35,600
	35,600	35,600

28. TRADE AND OTHER PAYABLES

	Group				Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2005	2006	2007	2007	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables								
Within 3 months	–	819	504	–	–	–	–	–
4 to 6 months	–	154	–	–	–	–	–	–
Over 6 months	–	–	599	–	–	–	–	–
	–	973	1,103	–	–	–	–	–
Temporary receipts from customers	–	13,948	18,720	40,420	–	13,948	–	13,175
Other payables and accrued charges	3,151	14,879	5,437	7,352	2,851	10,978	2,313	2,903
	3,151	29,800	25,260	47,772	2,851	24,926	2,313	16,078

The carrying amounts of trade and other payables of the Group and the Company approximate their fair values at the balance sheet dates.

29. BORROWINGS

The borrowings which are payable on demand are analysed as follows:

	Group			
	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan from securities brokers, secured	2,787	2,802	700	–
Other loans, unsecured	3,965	1,030	–	–
	6,752	3,832	700	–

At 31 March 2005, 2006 and 2007, loans from securities brokers were secured by certain equity securities (note 22). All the borrowing were denominated in Hong Kong dollars. Loans from securities brokers are interest-bearing at prime rate plus 3% to 8% per annum during the Relevant Periods. Other loan is interest-bearing at 3% per annum over the prevailing prime lending rate offered by Hong Kong and Shanghai Banking Corporation Limited during the Relevant Periods.

The carrying amounts of the borrowings approximate their fair values at the balance sheet dates.

30. SHARE CAPITAL

		As at 31 March						As at 30 September	
		2005		2006		2007		2007	
	Notes	Number of shares *('000)*	*HK$'000*	Number of shares *('000)*	*HK$'000*	Number of shares *('000)*	*HK$'000*	Number of shares *('000)*	*HK$'000*
Authorised:									
Ordinary shares of HK$0.01 each		100,000,000	1,000,000	100,000,000	1,000,000	100,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid:									
At beginning of the year/period		1,709,400	17,094	2,752,452	27,525	3,632,552	36,326	3,874,900	38,749
Placing and subscription	*(a)*	340,000	3,400	256,750	2,568	–	–	–	–
Acquisition of subsidiaries	*(b)*	–	–	600,000	6,000	–	–	–	–
Exercise of share options	*(c)*	85,470	855	18,500	185	72,900	729	44,400	444
Exercise of warrants	*(d)*	–	–	4,850	48	169,450	1,694	375,700	3,757
Conversion of convertible notes	*(e)*	617,582	6,176	–	–	–	–	–	–
At end of the year/period		2,752,452	27,525	3,632,552	36,326	3,874,902	38,749	4,295,000	42,950

Notes:

(a) Placing and subscription

Year ended 31 March 2006

Pursuant to a board resolution passed on 15 March 2006, Multichannel Investments Limited ("MIL"), a shareholder of the Company, sold 256,750,000 existing shares of the Company to a placing agent at the placing price of HK$0.59 per share ("Placing"). At the same time, MIL subscribed for 256,750,000 shares of the Company at subscription price of HK$0.59 per share ("Subscription"). As a result of the Placing and Subscription, 256,750,000 new shares of the Company were issued at HK$0.59 per share, resulting in additional share capital of HK$2,568,000 and share premium of HK$148,915,000. The related share issue expenses of HK$9,779,000 were dealt with in the share premium account.

Year ended 31 March 2005

Pursuant to a share placement announced on 8 November 2004, the Company issued 340,000,000 ordinary shares with a nominal value of HK$0.01 each by way of placing at HK$0.04 per share for a total cash consideration of HK$13,600,000. Share issue expenses of approximately HK$464,000 was debited to the share premium account (note 32). The net proceeds were used as general working capital of the Group. Such issued shares rank pari passu in all respects with the then existing issued shares of the Company.

(b) Acquisition of subsidiaries

Year ended 31 March 2006

As mentioned in note 34, the Company issued new shares of 600,000,000 as part of the consideration of acquiring 100% issued share capital of Eaglefly Technology Limited ("Eaglefly"). As at the date of acquisition on 19 January 2006, the market price of the shares of the Company was HK$0.223, resulting in additional share capital of HK$6,000,000 and share premium of HK$127,800,000.

30. SHARE CAPITAL (Continued)

(c) Exercise of share options

Six months ended 30 September 2007

During the six months ended 30 September 2007, subscription rights attached to 28,300,000 and 16,100,000 share options of the Company issued (note 31) were exercised at the subscription price of HK$0.166 and HK$0.088 per share respectively, giving rise to the issue of 44,400,000 shares of HK$0.01 each for a total consideration of HK$6,116,000. Accordingly, additional share capital of HK$444,000 and share premium of HK$5,672,000, before netting-off issue expenses and not including the amount transferred from share option reserve, is resulted.

Year ended 31 March 2007

During the year ended 31 March 2007, subscription rights attached to 49,800,000 and 23,100,000 share options of the Company issued (note 31) were exercised at the subscription price of HK$0.166 and HK$0.088 per share respectively, giving rise to the issue of 72,900,000 shares of HK$0.01 each for a total consideration of HK$10,300,000. Accordingly, additional share capital of HK$729,000 and share premium of HK$9,571,000, before netting-off issue expenses and not including the amount transferred from share option reserve, is resulted.

Year ended 31 March 2006

During the year ended 31 March 2006, subscription rights attached to 18,500,000 share options of the Company issued (note 31) were exercised at the subscription price of HK$0.166 per share, giving rise to the issue of 18,500,000 shares of HK$0.01 each for a total consideration of HK$3,071,000. Accordingly, additional share capital of HK$185,000 and share premium of HK$2,886,000, before netting-off issue expenses and not including the amount transferred from share option reserve, is resulted.

Year ended 31 March 2005

Share option of 85,469,970 and 85,400,000 underlying shares were granted by the Company respectively on 15 September 2004 and 25 November 2004 under a share option scheme (note 31).

Certain share options were exercised at HK$0.0448 per share on 4 October 2004 which resulted in the issue of 85,469,970 ordinary shares of the Company and an increase in the issued share capital of HK$855,000 and a share premium account of HK$2,974,000 (note 31).

(d) Exercise of warrants

On 6 June 2005, an ordinary resolution was duly passed by the shareholders of the Company with respect to the issue of 550,000,000 warrants of the Company at an issue price of HK$0.046 per warrant for total cash consideration of HK$25,300,000 (before issue expenses of HK$1,319,000). Each warrant entitles the holder to subscribe for one ordinary share of the Company of HK$0.01 each at an initial subscription price of HK$0.116 per share at any time during the period from 4 July 2005, the date of issue, to 3 July 2007.

Six months ended 30 September 2007

During the six months ended 30 September 2007, an aggregate of 375,700,000 new shares of the Company of HK$0.01 each were issued for cash at a subscription price of HK$0.116 each pursuant to the exercise of 375,700,000 warrants for a total cash consideration of HK$43,581,000. Accordingly, additional share capital of HK$3,757,000 and share premium of HK$39,824,000, not including the amount transferred from warrant reserve, is resulted.

30. SHARE CAPITAL (Continued)

(d) Exercise of warrants (Continued)

Year ended 31 March 2007

During the year ended 31 March 2007, an aggregate of 169,450,000 new shares of the Company of HK$0.01 each were issued for cash at a subscription price of HK$0.116 each pursuant to the exercise of 169,450,000 warrants for a total cash consideration of HK$19,656,000. Accordingly, additional share capital of HK$1,694,500 and share premium of HK$17,962,000, not including the amount transferred from warrant reserve, is resulted.

At 31 March 2007, the Company had 375,700,000 warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company, result in the issue of 375,700,000 additional ordinary shares of the Company, including additional share capital of HK$3,757,000 and share premium of HK$39,824,000 (before expenses).

Year ended 31 March 2006

During the year ended 31 March 2006, an aggregate of 4,850,000 new shares of the Company of HK$0.01 each were issued for cash at a subscription price of HK$0.116 each pursuant to the exercise of 4,850,000 warrants for a total cash consideration of HK$563,000. Accordingly, additional share capital of HK$48,000 and share premium of HK$515,000, not including the amount transferred from warrant reserve, is resulted.

At 31 March 2006, the Company had 545,150,000 warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company, result in the issue of 545,150,000 additional ordinary shares of the Company, including additional share capital of HK$5,452,000 and share premium of HK$57,785,000 (before expenses).

(e) Conversion of convertible notes

On 13 December 2002, the Company issued the 2% convertible notes (the "2% Notes") of HK$80,000,000 to a related party. The 2% Notes bear interest at a fixed rate of 2% per annum payable semi-annually in arrears on 30 June and 31 December and were due on 12 December 2004. Each of the 2% Notes carry the right to convert, on any business day prior to 5 business days before 12 December 2004, the whole or part of the principal amounts of the 2% Notes into ordinary shares of the Company at the lower of the fixed conversion price, subject to adjustment in certain events, of HK$0.36 per share (the "2% Conversion Price"), and the floating conversion price (being 92% of the arithmetic average of the 4 lowest closing prices per share during the 20 consecutive trading days immediately prior to the relevant exercise date), provided that such price shall exceed the nominal value of the ordinary share, otherwise the conversion price shall be the nominal value of the ordinary shares.

Year ended 31 March 2005

On 24 November 2004, the 2% Notes of HK$7,000,000 were converted into 179,487,179 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.039 per share.

On 29 November 2004, the 2% Notes of HK$8,000,000 were converted into 200,000,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.040 per share.

On 1 December 2004, the 2% Notes of HK$10,000,000 were converted into 238,095,238 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.042 per share.

On 13 December 2004, the maturity date, the 2% Notes of HK$20,000,000 were payable in full as none of them were converted into ordinary shares of the Company. HK$10,940,000 were repaid during the year ended 31 March 2005.

Up to 31 March 2005, the conversion rights of the 2% Notes in the aggregate amounts of HK$60,000,000 were exercised.

31. SHARE-BASED COMPENSATION

Company

On 29 July 2002, the Company adopted a share option scheme (the "2002 Scheme"). Under the 2002 Scheme, the directors are authorised, at their discretion, to offer eligible participants, being employees (whether full time or part time), business consultants, agents, financial or legal advisors whom the directors consider, in sole discretion, have contributed to the Group, options to subscribe for new shares of the Company. The directors are authorised to determine exercise price, such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of offer, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer; and (c) the nominal value of an ordinary share.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any requirements at the time of granting any particular option. Upon acceptance of the option, the grantee is required to pay a consideration of HK$1.00 for each lot of share options granted on or before the 30 days after the option is offered.

The period within which the shares must be taken up under an option will be determined by the directors at their discretion but will not be later than 10 years after the date of adoption of the 2002 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Scheme and any other share option schemes of the Company (including exercised and outstanding options) to each of the eligible participants in any 12-month period up to the date of grant shall not exceed 1 % of the shares in issue as at the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company must not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the 2002 Scheme provided that the Company may at any time seek approval from its shareholders to refresh the limit to 10% of the shares in issue as at the date of approval by the shareholders in general meeting where such limit is refreshed.

31. SHARE-BASED COMPENSATION (Continued)

Company (Continued)

The movement of the share options granted by the Company under the 2002 Scheme are as follows:

	Year ended 31 March						Six months ended 30 September	
	2005		2006		2007		2007	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at beginning of the year/period	32,234,012	0.1600	101,517,006	0.0994	358,217,006	0.1471	285,317,006	0.1486
Granted *(note (a))*	170,869,970	0.0660	275,200,000	0.1660	–	–	–	–
Lapsed	(16,117,006)	0.1600	–	–	–	–	–	–
Exercised *(note (b))*	(85,469,970)	0.0448	(18,500,000)	0.1660	(72,900,000)	0.1413	(44,400,000)	0.1377
Outstanding at end of the year/period	101,517,006	0.0994	358,217,006	0.1471	285,317,006	0.1486	240,917,006	0.1506

The exercise price and exercisable periods of the share options are as follows:

	Year ended 31 March						Six months ended 30 September	
	2005		2006		2007		2007	
	Number	Exercise price HK$	Number	Exercise price HK$	Number	Exercise price HK$	Number	Exercise price HK$
Exercisable period:								
2.1.2004 - 1.1.2014	16,117,006	0.1600	16,117,006	0.1600	16,117,006	0.1600	16,117,006	0.1600
20.12.2004 - 19.12.2014	85,400,000	0.0880	85,400,000	0.0880	62,300,000	0.0880	46,200,000	0.0880
27.6.2005 - 26.6.2015	–	–	85,200,000	0.1660	80,600,000	0.1660	79,600,000	0.1660
20.7.2005 - 19.7.2015	–	–	171,500,000	0.1660	126,300,000	0.1660	99,000,000	0.1660
	101,517,006		358,217,006		285,317,006		240,917,006	

Notes:

(a) Share options were vested once granted.

(b) In respect of the share options exercised during the six months ended 30 September 2007, the weighted average share price of the Company at the dates of exercise was HK$0.65 per share (31 March 2005, 2006 and 2007: HK$0.05, HK$0.44 to HK$0.64 and HK$0.745 per share respectively). The share options exercised during the six months ended 30 September 2007 resulted in the issue of 44,400,000 (years ended 31 March 2005, 2006 and 2007: 85,469,970, 18,500,000 and 72,900,000 respectively) ordinary shares of the Company (note 30(c)).

At 30 September 2007, the Company had 240,917,006 (31 March 2005, 2006 and 2007: 101,517,006, 358,217,006 and 285,317,006 respectively) share options outstanding under the 2002 Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 240,917,006 (31 March 2005, 2006 and 2007: 101,517,006, 358,217,006 and 285,317,006 respectively) additional ordinary shares of the Company including additional share capital of HK$2,409,000 (31 March 2005, 2006 and 2007: HK$1,015,000, HK$3,582,000 and HK$2,853,000 respectively) and share premium of HK$33,883,000 (31 March 2005, 2006 and 2007: HK$9,079,000, HK$49,124,000 and HK$39,553,000 respectively).

Subsequent to 30 September 2007 and up to the date of this Financial Information, no share option has been granted.

31. SHARE-BASED COMPENSATION (Continued)

Subsidiary

On 31 December 2005, Terra Solar Global, Inc. ("TSG"), a subsidiary of the Group, implemented a share option scheme (the "2005 Scheme"). Under the 2005 Scheme, TSG's directors (the "TSG directors") are authorised to offer share options of TSG to eligible participants, being directors, officers and other employee of TSG as well as consultants of TSG and its subsidiaries, with a vesting period from one to three years.

The TSG directors are authorised to determine exercise price per share. Such price shall not be less than (i) 110% of the fair market value per share on the date of grant if the options are granted to employee as defined under 2005 Scheme and at the time of grant of the options, the employee owns more than 10% of the voting power of all classes of shares of TSG or any parent or subsidiary; or (ii) the fair market value per share on the date of grant for cases other than that described in (i).

The period within which the shares must be taken up under an option will be determined by the TSG directors, but not more than 5 or 10 years from the date of grant, depending on the situations as described in the 2005 Scheme.

The options granted under the 2005 Scheme shall be exercisable upon its having vested in accordance with the vesting schedule and upon and after the registration date.

The aggregate number of shares which may be issued pursuant to the 2005 Scheme is 1,500. If any option granted under the 2005 Scheme shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, or if TSG shall reacquire any option, the unpurchased shares subject to such options shall again be available for grants of options under the 2005 Scheme. The maximum aggregate number of shares of TSG that may be granted in the form of share options in any one fiscal year to an eligible participant shall be 1,000 shares.

The movement of the share options granted under the 2005 scheme are as follows:

	Year ended 31 March				Six months ended 30 September	
	2006		2007		2007	
	Number	Weighted average exercise price *HK$*	Number	Weighted average exercise price *HK$*	Number	Weighted average exercise price *HK$*
Outstanding at beginning of the year/period	–	–	1,226	6,154	1,058	6,154
Granted	1,226	6,154	–	–	–	–
Cancelled	–	–	(161)	6,154	–	–
Lapsed	–	–	(7)	6,154	–	–
Outstanding at end of the year/period	1,226	6,154	1,058	6,154	1,058	6,154

31. SHARE-BASED COMPENSATION (Continued)

Subsidiary (Continued)

As at 30 September 2007, 377 (31 March 2006 and 2007: 520 and 377 respectively) share options were vested and exercisable. The outstanding share options as at 30 September 2007 are exercisable from the date of vesting to 31 December 2015.

The share options granted under the 2005 Scheme have been accounted for under HKFRS 2 and as a result, HK$13,700 and HK$467,000 have been recognised as staff costs in the income statement for years ended 31 March 2006 and 2007 respectively, and nil for six months ended 30 September 2007.

The fair values of share options granted during the year ended 31 March 2006 were determined by an independent valuer using the Black-Scholes Option Pricing Model (the "Black-Scholes Model"). Details of the inputs to the Black-Scholes Model are as follows:

Excepted volatility (%)	3.46%
Expected life of options (years)	10 years
Risk-free interest rate (%)	4.53%
Dividend yield (%)	0.0%

Risk free interest rate represents the yields to maturity of respective US Federal 10 year Treasury Note.

At 30 September 2007, TSG had 1,058 (31 March 2006 and 2007: 1,226 and 1,058 respectively) share options outstanding under the 2005 Scheme which represented 10.6% (31 March 2006 and 2007: 12.3% and 10.6% respectively) of the issued share capital of TSG on the same date.

Subsequent to 30 September 2007 and up to the date of this Financial Information, no share option had been granted.

32. **RESERVES**

Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	432,125	–	611,786	–	(654,010)	389,901
Loss for the year	–	–	–	–	(355,125)	(355,125)
Shares issued on placement *(note 30(a))*	10,200	–	–	–	–	10,200
Expenses for placement of shares *(note 30(a))*	(464)	–	–	–	–	(464)
Shares issued on conversion of convertible notes *(note 30(e))*	18,824	–	–	–	–	18,824
Exercise of share options *(note 30(c))*	2,974	–	–	–	–	2,974
At 31 March 2005 and 1 April 2005	**463,659**	**–**	**611,786**	**–**	**(1,009,135)**	**66,310**
Loss for the year	–	–	–	–	(35,701)	(35,701)
Share based compensation *(note 31)*	–	24,049	–	–	–	24,049
Shares issued on Placing and Subscription *(note 30(a))*	148,915	–	–	–	–	148,915
Share issue expenses *(note 30(a))*	(9,779)	–	–	–	–	(9,779)
Shares issued on acquisition of subsidiaries *(note 30(b))*	127,800	–	–	–	–	127,800
Exercise of share options *(note 30(c))*	4,503	(1,617)	–	–	–	2,886
Issue of warrants *(note 30(d))*	–	–	–	23,981	–	23,981
Exercise of warrants *(note 30(d))*	726	–	–	(211)	–	515
At 31 March 2006 and 1 April 2006	**735,824**	**22,432**	**611,786**	**23,770**	**(1,044,836)**	**348,976**
Loss for the year	–	–	–	–	(11,272)	(11,272)
Exercise of share options *(note 30(c))*	13,906	(4,352)	–	–	–	9,554
Exercise of warrants *(note 30(d))*	25,350	–	–	(7,388)	–	17,962
At 31 March 2007 and 1 April 2007	**775,080**	**18,080**	**611,786**	**16,382**	**(1,056,108)**	**365,220**
Loss for the period	–	–	–	–	(654)	(654)
Exercise of share options *(note 30(c))*	8,144	(2,472)	–	–	–	5,672
Exercise of warrants *(note 30(d))*	56,206	–	–	(16,382)	–	39,824
At 30 September 2007	**839,430**	**15,608**	**611,786**	**–**	**(1,056,762)**	**410,062**

32. RESERVES (Continued)

Company (Continued)

Notes:

(a) The share option reserve arises from the share based compensation regarding the share options granted by the Company and a subsidiary as referred to in note 31.

(b) Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(c) Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

In the opinion of the directors, as at 30 September 2007, the Company had no reserves available for distribution to its equity holders (31 March 2005, 2006 and 2007: Nil).

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2006, part of the purchase consideration of acquisition of Eaglefly as mentioned in note 34 was settled by 600,000,000 ordinary shares of the Company at the price of HK$0.223 per share, which amounted to HK$133,800,000.

34. ACQUISITION OF SUBSIDIARIES

On 19 January 2006, the Group acquired 100% of the issued share capital of Eaglefly together with the shareholder's loan (the "Acquisition") from MIL, a shareholder of the Company. Eaglefly is incorporated in the British Virgin Islands and is an investment holding company. Eaglefly has 51% equity interests in Terra Solar Global, Inc. which has 100% equity interests in Terra Solar North America, Inc. (collectively, the "TS Group"). As at the date of Acquisition, TS Group was principally engaged in development, manufacturing, marketing and sales of solar cells, modules and panels for generating solar electric power and related training and consulting services.

The purchase consideration was HK$158,174,000 which was satisfied as to HK$24,374,000 (equivalent to US$3,145,000) by way of cash and HK$133,800,000 by issuing 600,000,000 ordinary shares of the Company at price of HK$0.223 per share which represented the market price of the Company's share at the date of Acquisition. After taking into account the professional fees incidental to the Acquisition of HK$3,224,000, the total acquisition cost amounted to HK$161,398,000.

34. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the identifiable assets and liabilities of Eaglefly and TS Group as at the date of Acquisition and the corresponding carrying amounts immediately before the Acquisition are as follows:

	Carrying amount	Adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	70,488	(70,488)	–
Property, plant and equipment	10,484		10,484
Inventories	519		519
Unbilled revenue for long-term service contracts	4,844		4,844
Trade and other receivables	23,802		23,802
Cash and cash equivalents	573		573
Trade and other payables	(1,620)		(1,620)
Borrowings	(4,611)		(4,611)
Minority interests	(51,194)	34,538	(16,656)
Net assets acquired	53,285		17,335
Shareholders' loan acquired			3,488
Goodwill arising on the Acquisition *(note 17)*			140,575
Total acquisition cost			161,398

The total acquisition cost was satisfied by:

	HK$'000
Cash	27,598
Shares issued	133,800
	161,398

An analysis of the net cash outflow arising on the Acquisition is as follows:

	HK$'000
Cash consideration paid	27,598
Bank balances and cash acquired	(573)
Net outflow of cash and cash equivalents in respect of the Acquisition	27,025

Since the Acquisition, Eaglefly and TS Group has contributed revenue of HK$7,725,000 and net loss of HK$3,742,000 to the Group's revenue and loss for the year ended 31 March 2006.

Had the Acquisition been completed on 1 April 2005, the revenue and the loss for the year ended 31 March 2006 of the Group would have been HK$12,670,000 and HK$110,801,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2005, nor it is intended to be a projection of future results.

35. ADDITIONAL INTERESTS IN A SUBSIDIARY

On 25 September 2007, the Group entered into a sale and purchase agreement to acquire 8.74% of the issued share of TSG from Topskill Holdings Limited ("Topskill"), minority shareholder of the Group, at a consideration of US$2,500,000 (equivalent to HK$19,375,000) (the "Additional Acquisition").

At 30 September 2007, HK$800,000 of the consideration has been settled through deducting the amount due from a settlement agent, which was included in trade and other receivables as at 31 March 2007. The remaining consideration of HK$18,575,000 was included in trade and other payables as at 30 September 2007.

TSG, being a 51% owned subsidiary of Eaglefly, was acquired by the Group on 19 January 2006 (note 34), following the acquisition of 100% of the issued share capital of Eaglefly on that date. As a result of the Additional Acquisition, the Group held 59.74% interests in TSG.

Further information about the Additional Acquisition is as follows:

	HK$'000
Net assets acquired	2,162
Goodwill arising on the Additional Acquisition *(note 17)*	17,213
Total cost of investments	19,375

36. OPERATING LEASE COMMITMENTS

At the balance sheet dates of the Relevant Periods, the total future minimum lease payments in respect of office premises under non-cancellable operating leases were payable by the Group as follows:

	Group			
				As at
		As at 31 March		**30 September**
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within one year	–	2,247	4,729	4,229
In the second to fifth years	–	11,831	13,339	13,663
After five years	–	18,116	11,027	9,231
	–	32,194	29,095	27,123

The Group leases land and buildings under operating leases. During the six months ended 30 September 2007 and the year ended 31 March 2006 and 2007, the lease run for an initial period of one to ten years, with an option to renew the lease and renegotiate the terms at the expiry date. The lease did not include any contingent rentals.

Company

The Company did not have any significant operating lease commitments at the balance sheet dates of the Relevant Periods.

37. CAPITAL COMMITMENTS

Group

(i) During the year ended 31 March 2006, the Group had entered into a contract with a company, in which a director of the Company has equity interest, for the purchase and installation of certain manufacturing equipment which are used/to be used in a long-term service contract. The amount of the purchase contract is approximately HK$43,014,000 and other associated charges relating to the contract which are to be billed on labour and material basis is HK$3,100,000. As at 31 March 2006, 31 March 2007 and 30 September 2007, the amount of outstanding commitment arising from the contract was HK$40,495,000, HK$12,706,000 and HK$12,706,000 respectively.

(ii) Pursuant to the signing of two joint venture agreements by a subsidiary on 10 January 2006, the Group is required to make capital contributions totalling approximately HK$16,488,000 (US$2,127,500). During the years end 31 March 2006 and 2007 and six months ended 30 September 2007, the Group has already made capital contributions of nil, HK$7,750,000 and HK$7,750,000 respectively.

(iii) On 21 May 2007, a co-operation agreement in relation to the formation of a joint venture was signed between Jiangxi Ganneng Co., Ltd. (the "JV Partner") and China Solar Energy Development Limited ("CSED"), a wholly-owned subsidiary of the Group. The joint venture to be formed will be named as Jiangxi Ganneng China-sola New Energy Co., Ltd. (the "Joint Venture Company") and the term of the Joint Venture Company would be 10 years. The Joint Venture Company will be owned as to 25% by CSED and 75% by the JV Partner upon establishment. The total investment of the Joint Venture Company would be RMB1,200 million (equivalent to approximately HK$1,218 million). CSED is required to contribute an amount of RMB12.5 million (equivalent to approximately HK$12.69 million), which will be paid out by cash in full within seven business days after fulfillment of all conditions precedent of the agreement. Under the requirements of the applicable laws of the People's Republic of China, CSED will contribute RMB300 million (equivalent to approximately HK$304.5 million), its share of the registered capital, within two years after the issue of business license of the Joint Venture Company.

Group and Company

(i) During the year ended 31 March 2007, the Company entered into two contracts with a company for the purchase of certain manufacturing equipment. The total amount of the purchase contracts is approximately HK$50,700,000 (US$6,500,000). As at 31 March 2007 and 30 September 2007, the amount of outstanding commitment arising from the contracts was HK$13,104,000 (US$1,680,000).

38. CONTINGENT LIABILITIES AND LITIGATIONS

Group

On 21 September 1999, a former director of the Company, Mr. Wong Chong Shan, commenced proceedings in the High Court against the Company claiming a sum of HK$5,000,000. Mr. Wong Chong Shan alleged that he paid the said sum on the Company's behalf in August 1997 to a third party as deposit and that the Company failed to make repayment to him. The directors have considered the matter and are of the opinion that since no positive steps have been taken by Mr. Wong Chong Shan to proceed with the action since June 2000, it is not necessary at this stage to make a provision in the Financial Information for these proceedings.

Company

During the year ended 31 March 2006, the Company had issued corporate guarantee to certain securities brokers for securing the credit facilities granted by the brokers to one of its subsidiaries on securities accounts. As at 31 March 2006, 31 March 2007 and 30 September 2007, HK$712,000, HK$700,000 and nil of the credit facilities was utilized by the subsidiary respectively.

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this Financial Information, the Group had the following transactions with related parties:

		Group			
					As at
			As at 31 March		30 September
		2005	**2006**	**2007**	**2007**
	Notes	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Interest expense on loan from a related party, unsecured	*(a)*	99	170	41	–
Operating lease charges in respect of properties	*(b)*	291	–	200	–
Purchase of manufacturing equipment	*37(i)*	–	5,619	27,789	–
Research and development expenses	*(c)*	–	969	726	–
Secondment service income	*(d)*	1,613	2,628	2,579	1,550

Notes:

(a) As at 31 March 2005, 2006 and 2007 and 30 September 2007, short-term loans of HK$3,965,000, HK$1,030,000, HK$252,000 and nil respectively was advanced to the Group by a related party in which a key management personnel of the Group has equity interest. Interest expenses paid/payable to the related party amounted to HK$99,000, HK$170,000 and HK$41,000, respectively, for the years ended 31 March 2005, 2006 and 2007 and nil for the six months ended 30 September 2007.

(b) Operating lease charges in respect of properties of HK$291,000, nil, HK$200,000, respectively, for the years ended 31 March 2005, 2006 and 2007 and nil for the six months ended 30 September 2007 was paid to a related company in which a key management personnel of the Group has equity interest.

(c) The Group has entered into research and development agreement with a related company in which a director of the Company has equity interest. Research and development expenses incurred by the Group in respect of the agreement was nil, HK$969,000 and HK$726,000, respectively, for the years ended 31 March 2005, 2006 and 2007 and nil for the six months ended 30 September 2007.

(d) Secondment service income of HK$1,613,000, HK$2,628,000, and HK$2,579,000, respectively, for the years ended 31 March 2005, 2006 and 2007 and HK$1,550,000 for the six months ended 30 September 2007 were derived from secondment of staff to a related company in which a key management personnel of the Group has equity interest. The directors consider the transaction was entered into by the Group on normal commercial terms and on arm's length basis.

40. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates. Generally, the Group employs a conservative strategy regarding its risk management. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The financial assets of the Group comprise primarily securities in listed and unlisted companies, trade and other receivables, cash and cash equivalents. The financial liabilities of the Group comprise trade and other payables and borrowings.

40.1 Interest rate risk

The Group has no significant interest-bearing assets apart from cash and cash equivalents. The Group's interest rate risk arising from borrowings are disclosed in note 29.

Interest rate sensitivity

In the directors' opinion, the impact of interest rate risk on the Group's results for the Relevant Periods was not material.

40.2 Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

40.3 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated balance sheets. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

40.4 Liquidity risk

The Group applies prudent liquidity risk management by maintaining sufficient amount of cash and keeping committed credit line available from high quality lenders.

The table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Six months ended 30 September 2007

	Within 3 months	**4 to 6 months**	**Over 6 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and others payables	47,772	–	–	47,772
	47,772	–	–	47,772

40. FINANCIAL RISK MANAGEMENT (Continued)

40.4 Liquidity risk (Continued)

Year ended 31 March 2007

	Within 3 months	4 to 6 months	Over 6 months	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and others payables	24,661	–	599	25,260
Amount due to a shareholder	15	–	–	15
Borrowings	700	–	–	700
	25,376	–	599	25,975

Year ended 31 March 2006

	Within 3 months	4 to 6 months	Over 6 months	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and others payables	29,646	154	–	29,800
Borrowings	3,832	–	–	3,832
	33,478	154	–	33,632

Year ended 31 March 2005

	Within 3 months	4 to 6 months	Over 6 months	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and others payables	3,151	–	–	3,151
Amount due to a related company	9,395	–	–	9,395
Borrowings	6,752	–	–	6,752
	19,298	–	–	19,298

40.5 Price risk

The Group is exposed to equity security price risk because of its investments in securities held for trading. These are stated at fair value at each balance sheet date. The management monitors and manages this risk exposure by maintaining a portfolio of investments with different risk profiles.

40.6 Fair value

The directors consider that the fair value of financial assets and financial liabilities reported in the consolidated balance sheets approximate their carrying amounts.

40.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheets dates of the Relevant Periods under review also be categorized as follows. See note 3.13 and note 3.21 for explanations about how the category of financial instruments affects their subsequent measurement.

40. FINANCIAL RISK MANAGEMENT (Continued)

40.7 Summary of financial assets and liabilities by category (Continued)

Financial assets

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Available-for-sale financial assets	–	–	7,750	7,750
Financial assets at fair value through profit or loss	–	16,173	52,274	43,962
Loans and receivables				
– Trade and other receivables	35,954	22,770	111,408	172,042
– Amount due from a shareholder	–	15,720	–	–
– Amount due from a minority shareholder	–	3,908	420	–
– Amounts due from related companies	–	–	657	1,261
– Pledge bank fixed deposits	–	–	8,051	–
– Cash and cash equivalents	7,841	147,419	52,183	79,307
	43,795	205,990	232,743	304,322

Financial liabilities

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Financial liabilities measured at amortised cost				
– Trade and others payables	3,151	29,800	25,260	47,772
– Amount due to a related company	9,395	–	–	–
– Amount due to a shareholder	–	–	15	–
– Borrowings	6,752	3,832	700	–
	19,298	33,632	25,975	47,772

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

41. CAPITAL MANAGEMENT (Continued)

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equality as capital, for capital management purpose.

42. POST BALANCE SHEET EVENT

On 8 November 2007, the Company had successfully placed 751,980,000 warrants in registered form, giving the holders thereof the rights to subscribe up to HK$391,030,000 in aggregate in cash for shares at an initial subscription price of HK$0.52 per share (subject to adjustments). On full exercise of the subscription rights attaching to the 751,980,000 warrants at the initial subscription price of HK$0.52 per share would result in the issue of 751,980,000 additional ordinary shares of the Company including additional share capital of HK$7,520,000 and share premium of HK$383,510,000.

The gross proceeds of the warrant placing will be approximately HK$25,600,000, and the net proceeds of approximately HK$24,400,000 will be mainly used as general working capital of the Group.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2007.

Yours faithfully,
Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

1. INDEBTEDNESS

Borrowings

As at 31 December 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no outstanding borrowings.

Contingent liabilities

The Group had contingent liabilities in respect of a pending litigation as a defendant relating to a claim of approximately HK$5,000,000, details of which are set out in the paragraph headed "Material Litigation" in Appendix VI to this circular. The Directors have considered the matter and are of opinion that since no positive steps have been taken by Mr. Wong Chong Shan to proceed the action since June 2000, it is not necessary at this stage to make a provision in the financial statements for these proceedings.

As at 31 December 2007, the Company has issued corporate guarantee to certain securities brokers for securing credit facilities granted by the brokers to one of its subsidiaries on securities accounts. As at 31 December 2007, no credit facilities was utilized by the subsidiary.

Save as aforesaid, the Group did not, at the close of business on 31 December 2007, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any liabilities under acceptances (other than normal trade bills and payables), acceptance credits or any guarantee or any contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's financial resources and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for the next twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 September 2007, the date to which the latest audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECT

Strategic Investments and Capital Market Activities

During the period under review (six months ended 30 September 2007), Hong Kong's equity market continuously enjoyed the fruit of strong economy in the Greater China. As a result, turnover for the securities investments activities together with capital market activities was HK$939,000 (2006: HK$1,204,000) and segment result for these activities for this period was profit of HK$18,761,000 (2006: profit of HK$5,246,000).

Financing Business

During the period under review, the Company continuously implemented the tight credit control policy to reduce the recoverability risk. The turnover contributed from this segment was HK$1,457,000 (2006 : HK$Nil) and segment result for this period was profit of HK$3,944,000 while it was a loss of HK$12,000 for the same period of 2006.

Photovoltaic Business

For the period under review, turnover was HK$Nil (2006: HK$7,215,000) and the result for this segment was a loss of HK$2,851,000 (2006 : loss of HK$14,047,000). It was because the Company focused on resource optimization through restructuring and streamlining of overhead expenditures and reallocation of production base to Asia Pacific region. The Company believed such resource optimization and reallocation of production base will maximise the Company's further profit.

In December 2006, the Group signed its first sales contract with China Stream Fund Group for 31 units of 5MW thin film a-Si production equipment. The first 5MW production line has been delivered to the facility of China Stream Fund Group in Changzhou, China and the Group in the final stages of completing installation, testing, fine-tuning and training of staff.

5. ACQUISITION OF SUBSIDIARIES

There were no material acquisitions and disposals of subsidiaries and associated companies in the six months ended 30 September 2007.

6. LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2007, the Group had current net assets of HK$259,359,000 (31 March 2007: HK$210,251,000) and a total of HK$79,307,000 in cash and cash equivalents (31 March 2007: HK$52,183,000). The increase in cash and cash equivalents was the net result of the cash inflow from the exercise of the warrants by the warrant holders and the cash outflow for deposits paid for the thin film a-Si production equipment. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio of the Group was nil as at 30 September 2007 (31 March 2007: 0.2%) (it is derived by dividing the aggregate amount of borrowings by the amount of shareholders' equity). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 607% (31 March 2007: 835%), reflecting adequacy of financial resources.

The indebtedness of the Group as at 30 September 2007 was HK$Nil (31 March 2007: HK$700,000).

Taking into account the financial resources available to the Group including internally generated funds and available facilities, the Group has sufficient working capital to meet its present requirements.

7. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group is organised into three main business segments:

Strategic investments and capital market activities:

– Participation in primary and secondary securities market and provision of capital market advisory services

Financing:

– Provision of commercial and personal loans

Photovoltaic business:

– Development, manufacturing, marketing and sales of solar cells, modules and panels for generating solar electric power and related training and consulting services.

There are no significant sales or other transactions between the business segments.

(b) Geographical segments

The Group participates in two principal economic environments: China and the United States.

In presenting information on the basis of geographical segments, segment revenue is based on the country where the contract is signed or the order is placed.

8. EMPLOYEES

As at 30 September 2007, the Group had 31 full time employees.

The Group remunerated its employees mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share option may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

9. SHARE CAPITAL STRUCTURE

During the period under review, the Company issued 420,100,000 shares due to the exercise of 375,700,000 warrants and the exercise of 44,400,000 share options. Upon the exercise of 375,700,000 warrants, all warrants issued in July 2005 were fully exercised.

10. FUNDING STRATEGY AND FOREIGN EXCHANGE EXPOSURE

To manage the risk associated with an uncertain market environment, the Group pursues a funding strategy of using equity as far as possible to finance long-term investments.

The business transactions of the Group are mainly denominated in Hong Kong dollars and US dollars, the exchange rate of Hong Kong dollars and US dollars were relatively stable during the period, therefore, the Group was not exposed to material exchange rate risk.

11. CHARGES ON THE GROUP'S ASSETS

As at 30 September 2007, none of the trading securities has been pledged to secure other loans granted to the Group (31 March 2007: HK$3,487,000).

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Remaining Group prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of disposing the manufacturing facilities and operations of photovoltaic business in the United States (the "Disposal") on the financial position of the Group as at 30 September 2007 and the results and cash flows of the Group for the year ended 31 March 2007. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of the Remaining Group following the Disposal.

The unaudited pro forma consolidated balance sheet of the Remaining Group is prepared based on the audited consolidated balance sheet of the Group as at 30 September 2007, extracted from the accountants' report set out in Appendix II to this circular, as if the Disposal had been completed on 30 September 2007.

The unaudited pro forma consolidated income statement and cash flow statement of the Remaining Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007, extracted from the published annual report of the Group as of 31 March 2007, as if the Disposal had been completed on 1 April 2006.

2. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP

	As at 30 September 2007 (Audited) *HK$'000*	Pro forma adjustment *HK$'000* *(note 1)*	Pro forma *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	770		770
Goodwill	157,788		157,788
Available-for-sale financial assets	7,750		7,750
	166,308		166,308
Current assets			
Financial assets at fair value through profit or loss	43,962		43,962
Trade and other receivables	172,042		172,042
Amounts due from related companies	1,261		1,261
Cash and cash equivalents	79,307	1,600	80,907
	296,572		298,172
Assets held for sale	54,220	(54,220)	–
	350,792		298,172
Current liabilities			
Trade and others payables	47,772	(8,525)	39,247
Provision for taxation	1,066		1,066
	48,838		40,313
Liabilities associated with assets classified as held for sale	42,595	(42,595)	–
	91,433		40,313
Net current assets	259,359		257,859
Total assets less current liabilities/ Net assets	425,667		424,167
EQUITY			
Share capital	42,950		42,950
Reserves	374,460	(1,500)	372,960
Equity attributable to equity holders of the Company	417,410		415,910
Minority Interests	8,257		8,257
Total equity	425,667		424,167

3. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

	Notes	Year ended 31 March 2007 (Audited)	Pro forma adjustments		Pro forma
		HKD'000	*HKD'000* (*note 2*)	*HKD'000* (*note 3*)	*HKD'000*
Revenue		41,123	(38,323)		2,800
Other revenue		4,768			4,768
Cost of long-term service contracts		(27,566)	27,566		–
Staff costs		(21,780)	9,007		(12,773)
Consultancy expenses		(5,233)	850		(4,383)
Depreciation of property, plant and equipment		(623)	425		(198)
Fair value gain on financial assets at fair value through profit of loss		36,997			36,997
Provision for impairment of other receivables		(4,425)			(4,425)
Loss on remeasurement of assets held for sales to fair value less cost to sell		(2,717)	2,717		–
Other operating expenses		(23,043)	6,292		(16,751)
Loss on disposal of assets held for sale		–		(9,164)	(9,164)
Loss from operations		(2,499)			(3,129)
Finance costs		(450)			(450)
Loss before income tax		(2,949)			(3,579)
Income tax expense		(431)			(431)
Loss for the year		(3,380)			(4,010)
Attributable to:					
Equity holders of the Company		(523)	4,352	(5,409)	(1,580)
Minority interests		(2,857)	4,182	(3,755)	(2,430)
		(3,380)			(4,010)

4. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

	Notes	Year ended 31 March 2007 (Audited)	Pro forma adjustments			Pro forma
		HKD'000	*HKD'000* (*note 3*)	*HKD'000* (*note 4*)	*HKD'000* (*note 5*)	*HKD'000*
Cash flows from operating activities						
Loss before income tax		(2,949)	(9,164)	8,534		(3,579)
Adjustments for:						
Interest expenses		450				450
Interest income		(2,060)				(2,060)
Dividend income		(9)				(9)
Depreciation of property, plant and equipment		623		(425)		198
Loss on disposal of property, plant and equipment		178				178
Loss on disposal of assets held for sale		–	9,164			9,164
Share-based payment		467				467
Provision for impairment of receivables		4,425				4,425
Fair value gain on financial assets at fair value through profit or loss		(36,997)				(36,997)
Loss on remeasurement of assets held for sale to fair value less costs to sell		2,717		(2,717)		–
Operating loss before working capital changes		(33,155)				(27,763)
Increase in inventories		(239)		239		–
Decrease in unbilled revenue from long-term service contracts		18,140		(18,140)		–
Decrease in financial assets at fair value through profit or loss		905				905
Increase in trade and other receivables		(135,909)		41,540		(94,369)
Decrease in amount due from a shareholder		15,720				15,720
Increase in amount due from a minority shareholder		3,488				3,488
Increase in amounts due from related companies		(657)				(657)
Increase/(Decrease) in trade and other payables		26,773		(29,878)		(3,105)
Increase in amount due to a shareholder		15				15
Cash used in operations		(104,919)				(105,766)
Interest received		2,060				2,060
Net cash used in operating activities		(102,859)				(103,706)

4. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP (Continued)

		Year ended 31 March 2007 (Audited)	**Pro forma adjustments**			**Pro forma**
	Notes	*HKD'000*	*HKD'000 (note 3)*	*HKD'000 (note 4)*	*HKD'000 (note 5)*	*HKD'000*
Cash flows from investing activities						
Payments to acquire property, plant and equipment		(2,965)		1,291		(1,674)
Proceeds from disposal of property plant and equipment		32				32
Purchase of available-for-sale financial assets		(7,750)				(7,750)
Increase in pledged fixed deposit		(8,051)				(8,051)
Loss on disposal of assets held for sale		–			10,125	10,125
Net cash used in investing activities		(18,734)				(7,318)
Cash flows from financing activities						
Interest paid		(450)				(450)
Proceeds from borrowings		700				700
Repayments of borrowings		(3,832)				(3,832)
Proceeds from exercise of warrants		19,656				19,656
Proceeds from exercise of share options		10,283				10,283
Net cash generated from financing activities		26,357				26,357
Net decrease in cash and cash equivalents		(95,236)				(84,667)
Cash and cash equivalents at beginning of financial year		147,419		(444)	(10,125)	136,850
Cash and cash equivalents at end of financial year		52,183				52,183

Notes to unaudited pro forma financial information of the Remaining Group

(1) The adjustment reflects the disposal of the assets (HK$54,220,000) and liabilities (HK$42,595,000) associated with the manufacturing facilities and operations of the photovoltaic business in the United States, and the net cash inflow amounting to approximately HK$1,600,000 being the consideration of HK$11,625,000 (US$1,500,000), less consideration instalments of HK$8,525,000 (US$1,100,000) received during the period from 1 April 2007 to 30 September 2007 and less estimated costs of HK$1,500,000 in connection with the Disposal, assuming that the Disposal had taken place on 30 September 2007.

(2) The adjustment reflects the exclusion of the results of the photovoltaic business in the United States and the reversal of the profit attributable to the equity holders of the Company and minority interests for the year ended 31 March 2007, assuming that the Disposal had been taken place on 1 April 2006.

(3) The adjustment reflects estimated loss on disposal of assets held for sale of HK$9,164,000 resulting from the loss on remeasurement to fair value of $7,664,000 (which is borne by the equity holders of the Company and minority interests) and the estimated costs of HK$1,500,000 (which is wholly borne by the equity holders of the Company) in connection with the Disposal, assuming that the Disposal had been taken place on 1 April 2006.

(4) The adjustment reflects the exclusion of the cash flow arising from the photovoltaic business in United States for the year ended 31 March 2007, assuming that the Disposal had taken place on 1 April 2006.

(5) The adjustment reflects the net cash inflow amounting to approximately HK$10,125,000 from the disposal consideration of HK$11,625,000 (no instalment has been received by the company as at 31 March 2007), less estimated costs of HK$1,500,000, assuming that the Disposal had taken place on 1 April 2006.

5. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of an accountants' report dated 29 February 2008 prepared for the sole purpose of inclusion in this circular, received form the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group.

Grant Thornton
均富

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29 February 2008

The Directors
China Solar Energy Holdings Limited
21/F, 3 Lockhart Road,
Wan Chai
Hong Kong

Dear Sirs

China Solar Energy Holdings Limited

We report on the unaudited pro forma financial information of China Solar Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of the manufacturing facilities and operations of the photovoltaic business in the United States (the "Disposal") might have affected the financial information presented, for inclusion in Appendix IV to the Company's circular date 29 February 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited Pro Forma Financial Information of the Remaining Group" in Appendix IV to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the respective dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of

– the financial position of the Group as at 30 September 2007 or any future date; or

– the results and cash flows of the Group for the year ended 31 March 2007 or any future period.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Details of the Directors who are proposed to be re-elected at the SGM as Directors are set out below:

Mr. Henry J. Behnke III

Mr. Henry J. Behnke III ("Mr. Behnke"), aged 48, was appointed as a non-executive director of the Company on 10 September 2007. Mr. Behnke is the leader in Terra Solar's Kiss a-Si Platform ("KASIP"). The KASIP combines the valuable intellectual property that Terra Solar have built and accumulated for many years. Being a 25 years veteran and the Chief Operating Officer of Terra Solar Group, the subsidiary of China Solar Energy Holdings Limited, Mr. Behnke has participated in the development, testing and installation of equipment used in the manufacturing of amorphous silicon photovoltaic solar cells for over 25 years. He supervised the installation of turnkey manufacturing facilities on location in Port Jervis, NY, Bridgend, Wales (UK) and Lens, France. His responsibilities with Terra Solar Group focused on the management of installation operations for PV systems, facility management for manufacturing and R&D process development operations. His professional qualifications include AIChE (American Institute of Chemical Engineers), ASAE (The Society for Engineering in Agriculture, Food and Biological Systems), ASTM (American Society for Testing and Materials), and ISA (The Instrumentation, Systems and Automation Society). He holds an Executive MBA from the Graduate School of Management of Rutgers University in 1994, a Professional Engineering License NJ Mechanical Engineering #32029 in 1986, and a BS Engineering from the College of Engineering of Rutgers University in 1981.

Saved as disclosed above, Mr. Behnke is not connected with any director, senior management or substantial or controlling shareholder of the Company, and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Behnke did not hold any directorship in other public companies in the last three years.

Pursuant to the service contract between the Company and Mr. Behnke in May 2007, Mr. Behnke is entitled to a monthly director fee of USD5,000 and duration of his service contract is one year or terminates by giving one month notice by either party or terminates upon his rotation of directorship in the general meeting of the Company, whichever is shorter.

Mr. On Kien Quoc

Mr. On Kien Quoc ("Mr. On"), aged 47, was appointed as an executive director of the Company on 10 September 2007. Mr. On is a Certified Commercial Investment Member of the CCIM Institute in the United States of America. Mr. On has extensive experience in the field of corporate strategy, marketing solutions and business development and he is the business development manager of Evergreen Equity Investment, LLC, an investment consultancy company based in the United States of America.

Mr. On is not connected with any directors, senior management or substantial or controlling shareholders of the Company, and he does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. For the past 3 years, Mr. On had been an independent non-executive director in REXCAPITAL Financial Holdings Limited, a company listed in Hong Kong.

There is no written service contract between the Company and Mr. On. Mr. On is entitled to a monthly salary of HK$60,000 but has no fixed term of service with the Company, except that his appointment will be subject to retirement and re-election at the next general meeting of the Company (thereafter retirement by rotation) pursuant to the bye-laws of the Company. The Board may from time to time determine his remuneration and benefit.

Save for the information set out in this Appendix V, there is no other information or other matters that needs to be brought to the attention of the shareholders of the Company in respect of the retiring Directors who stand for re-election at the SGM and there is no other information or any other matters to be in respect of any of the retiring Directors pursuant to any requirements under Rules 13.51(2)(h) to (v) of the Listing Rules.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Group and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long position in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Pierre Seligman ("Mr. Seligman")	Beneficial	34,700,000 *(Note a)*	0.794%
Chu Chik Ming Jack ("Mr. Chu")	Beneficial	1,000,000 *(Note b)*	0.023%
Chan Wai Kwong Peter ("Mr. Chan")	Beneficial	500,000 *(Note c)*	0.011%

Notes:

a. Mr. Selignman is beneficially interested in 24,700,000 Options granted by the Company and 10,000,000 Shares of the Company.

b. Mr. Chu is beneficially interested in 1,000,000 Options granted by the Company.

c. Mr. Chan is beneficially interested in 500,000 Shares of the Company.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Interests of Substantial Shareholders and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Interests in the Shares and underlying Shares of the Company (long position)

	Number of shares/underlying shares held and nature of interest			
Name of Shareholder	**Directly beneficially owned**	**Through controlled corporation**	**Total number**	**Approximate percentage of issued share capital**
Li Di *(notes 1, 2)*	189,690,000	704,250,000	893,940,000	20.45%
Topskill Holdings Limited *(notes 2, 3)*	84,250,000	620,000,000	704,250,000	16.11%
Multichannel Investments Limited *(note 3)*	620,000,000	–	620,000,000	14.18%
Och Daniel Saul	263,390,000	–	263,390,000	6.02%

Notes:

1. The interest of 189,690,000 Shares includes interest in 91,740,000 underlying Shares in connection with derivatives listed on the Stock Exchange.

2. Topskill Holdings Limited is wholly owned by Mr. Li Di and the interest of Topskill Holdings Limited in 704,250,000 Shares is reported as interest of Mr. Li Di through controlled corporation.

3. Multichannel Investments Limited is the wholly owned subsidiary of Flytech Holdings Limited which is wholly owned by Topsill Holdings Limited. The interest of Multichannel Investments Limited in 620,000,000 Shares is reported as interest of Topskill Holdings Limited through controlled corporation.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(a) various agreements comprised in the Relevant Agreements;

(b) the conditional placing agreement dated 31 August 2007 entered into between the Company as issuer and Core Pacific – Yamaichi International (H.K.) Limited as placing agent in relation to placing of up to 752,000,000 listed warrants to be issued by the Company at HK$0.034 per unit of warrant on a best effort basis (as modified by the supplemental agreement dated 17 October 2007); and

(c) the conditional joint venture agreement dated 21 May 2007 entered into between China Solar Energy Development Limited and 江西贛能股份有限公司 (Jiangxi Ganneng Co., Ltd) for the formation of a joint venture company in the PRC (as modified by the supplemental agreement dated 25 September 2007).

4. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, report or advice which are contained in this circular:

Name	Qualification
AsiaVest Partners Limited	Licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO
Grant Thornton	Certified Public Accountants
Norton Appraisals Limited	Professional valuers (members of The Hong Kong Institute of Surveyors and The Hong Kong Business Valuation Forum)

AsiaVest, Grant Thornton and Norton Appraisals have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of AsiaVest, Grant Thornton and Norton Appraisals was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been since 30 September 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

5. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which were not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

6. MATERIAL LITIGATION

On 21 September 1999, a former director of the Company, Mr. Wong Chong Shan ("Mr. Wong"), commenced proceedings in the High Court in Hong Kong against the Company claiming a sum of HK$5,000,000. Mr. Wong alleged that he paid the said sum on the Company's behalf in August 1997 to a third party as deposit and that the Company failed to make repayment to him. The Directors have considered the matter and are of the opinion that since no positive steps have been taken by Mr. Wong to proceed with the action since June 2000, it is unnecessary at this stage to make any provision in the financial statements of the Group for these proceedings.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which any members of the Group is engaged or pending or threatened against any member of the Group.

7. COMPETING INTERESTS

None of the Directors of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

8. MISCELLANEOUS

(i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 30 September 2007, being the date to which the latest published audited accounts of the Company were made up.

(ii) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(iii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is at 21/F., 3 Lockhart Road, Wanchai, Hong Kong.

(iv) The company secretary and qualified accountant of the Company is Mr. Tsang Wai Wa, FCCA, CPA.

(v) The Hong Kong branch share register and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(vi) The English text of this circular and the accompanying proxy form shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company from the date of this circular up to and including 17 March 2008.

(i) the bye-laws of the Company;

(ii) the interim reports of the Company for the six months ended 30 September 2007;

(iii) the annual reports of the Company for the two years ended 31 March 2007 and 31 March 2006;

(iv) the material contract, including the Relevant Agreements, as referred to in the section headed "Material Contracts" in this appendix;

(v) the accountants' report issued by Grant Thornton on the financial statements of the Group as set out in Appendix I to this circular;

(vi) the report issued by Grant Thornton in connection with the unaudited pro forma income statement, balance sheet and cash flow statement the Remaining Group as set out in Appendix III to this circular;

(vii) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;

(viii) the letter from AsiaVest, the text of which is set out on pages 17 to 32 of this circular;

(ix) the valuation reports issued by Norton Appraisals, the text of which is set out on pages 35 to 49 of this circular;

(x) the written consents given by AsiaVest, Grant Thornton and Norton Appraisals as referred to in the paragraph headed "Expert and Consent" in this appendix;

(xi) the circular of the Company dated 13 July 2007 in relation to, among others, a major transaction of the formation of a joint venture company in the PRC; and

(xii) the prospectus of the Company dated 25 October 2007 in relation to the private placing of up to 752,000,000 warrants being warrants in registered form to subscribe for Shares at an issuance price of HK$0.034 per unit of warrant.

CHINA SOLAR ENERGY HOLDINGS LIMITED
華基光電能源控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 155)

NOTICE IS HEREBY GIVEN that the special general meeting of China Solar Energy Holdings Limited (the "Company") will be held at Room A, 1/F, Harbour View International House, 4 Harbour Road, Wanchai, Hong Kong on Tuesday, 18 March 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendment(s), the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) (i) the conditional asset purchase agreement dated 27 April 2007 (the "Asset Purchase Agreement", varied by a supplemental agreement dated 11 October 2007) entered into between Terra Solar Global, Inc. ("TSG") and Terra Solar North America, Inc. ("TSNA") (TSG and TSNA being subsidiaries of the Company) as seller and Solar Co. NJ as buyer in relation to the purchase of production facilities located at the Premises (as defined hereinafter), (ii) the assignment and assumption of the lease dated 27 April 2007 (the "Assignment of Lease") entered into between TSNA as assignor and Solar Co. NJ as assignee in relation to the assignment of all rights and obligations under the lease on the commercial premises located at 200 Ludlow Drive, Ewing, New Jersey, USA (the "Premises") granted by the landlord to TSNA of the assignor to the assignee, and (iii) the agreement dated 27 April 2007 (the "Settlement Agreement") entered into among TSG, Renewable Energy Solution, Inc. and Dr. Zoltan J. Kiss in relation to, among others, transfer of TSG's rights and obligations under the Blue Star Project (details of the Blue Star Project, the Asset Purchase Agreement, the Assignment of Lease and the Settlement Agreement are set out in the Company's circular dated 29 February 2008 (the "Circular") (copies of the Asset Purchase Agreement, the Assignment of Lease, the Settlement Agreement and the Circular have been tabled at the meeting and marked "A", "B", "C" and "D" and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorized to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the the Asset Purchase Agreement, the Assignment of Lease and the Settlement Agreement and all transactions contemplated thereunder."

* *For identification purpose only*

2. "**THAT** Mr. Henry J. Behnke III be and is hereby re-elected as a director of the Company."

3. "**THAT** Mr. On Kien Quoc be and is hereby re-elected as a director of the Company."

By Order of the Board
China Solar Energy Holdings Limited
Pierre Seligman
Managing Director

Hong Kong, 29 February 2008

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
21/F.,
3 Lockhart Road
Wanchai
Hong Kong

Notes:

1. Every shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. A form of proxy for use at the meeting is enclosed herewith.

3. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto provided that if more than one of such joint holders are present at the meeting personally or by proxy that one of said persons so present whose name stands first on the register of shareholders of the Company shall alone be entitled to vote in respect thereof.

4. To be valid, the form of proxy, duly signed, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.

5. Brief biographical details of the two directors of the Company who are proposed for re-election at the meeting are set out in Appendix V of the circular of the Company dated 29 February 2008.